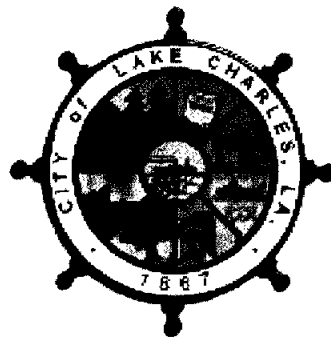


CITY OF LAKE CHARLES, LOUISIANA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the  
Fiscal Year Ended  
September 30, 2012



Prepared by  
Department of Finance

**CITY OF LAKE CHARLES**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2012**

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## CITY OF LAKE CHARLES

RANDY ROACH  
MAYOR

326 Pujo Street P.O. Box 3706  
Lake Charles, LA 70602-3706  
337-491-1251 • FAX 337-491-1225

DEPARTMENT OF FINANCE  
KAREN D. HARRELL, DIRECTOR

March 20, 2013

Honorable Randy Roach, Mayor  
Members of the City Council

Dear Mayor and City Council Members:

In accordance with requirements of the City's Charter and applicable state law, I am pleased to submit the Comprehensive Annual Financial Report of the City of Lake Charles for the fiscal year ended September 30, 2012. This report has been prepared by the City's Finance Department in conformity with generally accepted accounting principles (GAAP), and the basic financial statements contained herein have been independently audited in accordance with generally accepted auditing standards. However, the completeness and reliability of all information presented in this report remains the responsibility of the City's management. McElroy, Quirk, and Burch (APC), a firm of licensed certified public accountants, have audited the City of Lake Charles's financial statements. The purpose of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified ("clean") opinion on these financial statements. The independent auditor's report is presented as the first component of the financial section of this report.

Governmental Accounting Standards Board (GASB) requires certain government-wide statements as well as the fund financial statements. The purposes and contents of these financial statements are further explained in Management's Discussion and Analysis (MD&A) which follows the independent auditor's report and should be read in conjunction with this letter of transmittal for a more complete understanding of the City's financial condition and activity.

### City Profile

The City of Lake Charles was incorporated in 1867 and is the principal city and trade center of Southwest Louisiana, which is comprised of a five parish area with a population of 292,619 per the 2010 Census, which represents a 5 percent growth from 10 years ago. The census count for the City of Lake Charles was a population of 71,993 within the corporate limits of the City which includes 43 square miles. This number represents 0.3 percent growth from the 2000 census. Lake Charles, which is in Calcasieu Parish, is located on Interstate 10, approximately two hours east of Houston, Texas and west of Baton Rouge, Louisiana.

The City operates under a mayor-council form of government pursuant to a 1961 home rule charter, and provides a full range of traditional municipal services such as public safety, construction and maintenance of municipal infrastructure including water and wastewater, parks and recreation, planning and zoning, trash collection and solid waste disposal and public transportation. The City also has specialized facilities such as a municipal golf course, a civic center coliseum and theater complex, and two art centers. All of these activities are integral parts of the city government and are included in this report. Certain components of the judicial function are legally separate entities which are discretely presented in these statements as "component units."

The City adopts an annual operating budget and a project-based capital budget in accordance with procedures established by its charter and by state statute. Although the budget document is comprehensive, covering all funds under the City's control, legal control of expenditures is exercised primarily at the department level for the General

## TRANSMITTAL LETTER

Fund and for each Special Revenue Fund pursuant to charter and statutory requirements. Budget-to-actual comparisons for major funds of these types are included in this report.

The City also maintains an internal control framework designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for preparing financial statements. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. An evaluation of internal controls and legal compliance is required by federal law in connection with the independent audit, and the auditor's reports thereon are included in a separately issued "single audit" report.

### Economic Environment

Lake Charles is a deep water port with a 30-mile ship channel to the Gulf of Mexico, and has developed an economic base dominated by petrochemical manufacturing and refining since the 1940's. Southwest Louisiana has diversified its economy as is evident when you consider the following major economic drivers. The Port of Lake Charles is ranked as the 14<sup>th</sup> largest seaport in the United States. Chennault Industrial Airpark and the Lake Charles Regional Airport support a growing aviation industry. Lake Charles is home to McNeese State University and Sowela Technical Community College. Riverboat Gaming was introduced in 1993 and has provided funding for major capital improvements since that time. Retail businesses within the City provide goods and services to a five parish regional area. Annual art events and over 75 annual festivals provide entertainment to both locals and visitors.

The City is currently preparing for economic growth of unprecedented proportions. The "explosive growth" was recently summarized in the Acadian Profile magazine's article which named Lake Charles Acadiana's City of the Year. More than \$42 billion in new industry have been announced in recent months and include the following:

- SASOL Ltd. announced on December 3, 2012, that it will build a gas-to-liquid and ethane cracker complex at its Westlake facility estimated between \$16 and \$21 billion. It is expected to generate a minimum of 1,200 permanent jobs, 7,000 construction jobs and thousands of indirect jobs in Louisiana and throughout the country. The first phase will be operational by 2018.
- Cheniere Energy in Cameron Parish began working on two liquefaction trains for its Sabine Pass natural gas export terminal project at an estimated cost of \$5.6 billion. It is expected to generate 3,000 construction jobs and 150 permanent jobs. The first train is expected to be completed by 2015.
- Sempra Energy a subsidiary Cameron LNG is planning to build a natural gas liquefaction and export facility at the company's Cameron LNG terminal in Cameron Parish. The investment could exceed \$7 billion, and create 3,000 construction jobs and 130 full time jobs. The first train should open at the end of 2016.
- G2X Energy plans to build a \$1.3 billion natural gas-to-gasoline facility on land owned by the Port of Lake Charles on the Industrial Canal. The project is expected to create 243 new direct jobs, resulting in an estimated 748 new indirect jobs. Estimated completion date is mid-2017.
- Magnolia LNG plans to build a \$2.2 billion export facility located on the Industrial Canal. It is estimated that the project will create 70 to 80 new permanent jobs and 400 construction jobs. Construction is expected to begin in 2015.
- Lake Charles Clean Energy LLC, a subsidiary of Leucadia Corporation, plans to invest \$2.5 billion to build a gasification plant on Port of Lake Charles property. The project is expected to create 165 permanent jobs and nearly 1,500 construction jobs. The 25 year agreement between the company and the port stabilizes the economic position of the Port, which plans to improve and reconfigure its Bulk Terminal No.1 facility at an estimated cost of \$100 million dollars.

## TRANSMITTAL LETTER

- Sowela Technical Community College will have \$20 million investment from the State of Louisiana to build a training facility that will serve the workforce needs during the construction and operations of the new Sasol plants and other facilities throughout the region.

Tourism is Southwest Louisiana's second largest economic driver, estimated to bring in \$339 million annually. The projects related to growth in this industry are outlined below.

- Pinnacle Entertainment, that owns the local L'Auberge Lake Charles Casino, is seeking Louisiana Gaming Control Board approval to purchase Ameristar Casinos. Ameristar holds the riverboat license to build a new \$500 million casino complex on Port property adjacent to the L'Auberge Casino. The casino is supposed to be open for business in 2014.
- Louisiana Department of Transportation has announced an \$80 million interstate improvement project at Cove Lane to improve traffic congestion that is anticipated with the opening of the additional casino. Local governmental entities that benefit from gaming taxes have been asked to contribute \$20 million toward this project.
- Mardi Gras Boardwalk has been given City Council approval to purchase the nine acres of land on the City's lakefront for \$4 million. The development company plans to build a \$45 million facility that will include both residential and entertainment venues. The project should be completed within two years.
- HRI Properties, a New Orleans based hotel developer, has proposed building a \$19 million hotel adjacent to the Lake Charles Civic Center on the lakefront. The citizens of Lake Charles will vote on April 6 to allow for the creation of a tax incremental financing district. The initial proceeds of the TIF would be used to repay a \$3.4 million loan from the City that the developer has requested to assist in the hotel financing.

The area is also experiencing growth and activity in other industries such as aviation and farming, with expansions at both Chennault International Airport and Farmers Rice Milling Company. McNeese State University currently has several large projects under construction such as the Southwest Louisiana Entrepreneurial Economic Development Center, renovations to the main campus library and construction of a parking garage.

Mayor Randy Roach was recently reelected without opposition to his fourth full term as mayor. Four of the seven Council members were reelected without opposition. The four year term begins on July 1, 2013. This election process is confirmation that the community of Lake Charles is confident in the leaders that are currently holding office.

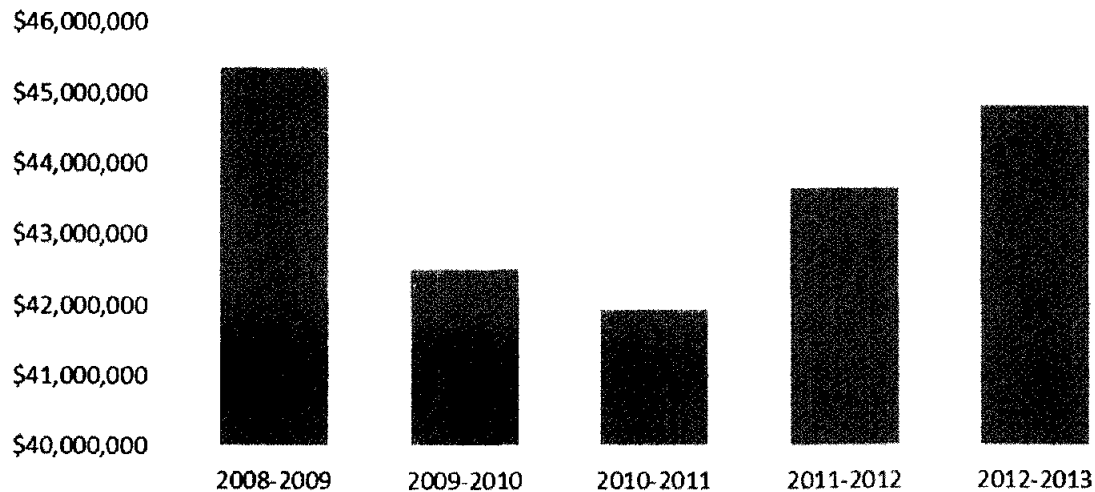
The Southwest Louisiana Task Force for Growth and Opportunity or GO Group was established to deal with the issues that may arise with the planned industrial projects discussed above. The subcommittees will address areas such as workforce development, education, transportation, housing, utilities, health, public safety, small business, environmental and community relations. Area officials are taking a very proactive approach to ensure that the area is ready to support all aspects of the new development, while continuing to maintain our solid sense of community.

## TRANSMITTAL LETTER

### Current and Future Financial Plans

The City and surrounding areas are very optimistic about our economic future. Sales tax, the City's largest revenue source, increased by 5 percent in fiscal year 2012 and by 3 percent in fiscal year 2011. The graph below captures the sales tax revenue collected for March through February for each of the last five years. Forecasts are that by year's end, total annual collections will reach pre-recession amounts.

**Annual Sales Tax Collections**



The City operated with a balanced budget in the General Fund for fiscal year 2012, ending the year with a surplus of less than \$50,000 which was better than the projected deficit of \$1.3 million. This was accomplished by continued oversight and management by the administration and all departments. Employment levels remain the same in the fiscal 2012 and 2013 budgets after thirty-five full time positions were eliminated in the fiscal year 2011 budget. Retirement contributions for all employees continue to be the City's most challenging, fastest growing and uncontrollable expenditure, with recent announcements of additional increases that will take effect on July 1, 2013.

The General Fund had an ending fund balance of \$25,356,964 at September 30, 2012, which represents 43.9% of operating expenditures and operating transfers. The adopted General Fund Operating budget for fiscal year 2013 projects a \$2,567,929 deficit. Should such a use of fund balance reserves be realized, total reserves would remain strong at \$22.8 million, which would equal 37 percent of operating expenditures and transfers. Although the City has strong cash reserves, the administration continues to monitor all activities and looks to future budget years that will provide adequate funding to cover all expenditures.

The City has issued \$75 million in bonds for Phase 1 and 2 of the \$90 million capital improvement plan that was approved by Lake Charles voters. To date the City has spent \$64 million of the bond proceeds and has an additional \$7 million in outstanding construction commitments related to the bond issue at fiscal year-end. Enterprise Boulevard extension, Ryan Street Streetscape and Phase 2 Millennium Park make up the majority of the spending commitment.

During the 2012 fiscal year, the City received a loan from the Department of Environmental Quality for \$21 million from the State Revolving Loan Fund for improvements to the City's wastewater system. This loan will be repaid over a 20 year period with sewer user fees generated in the Wastewater Fund.

Accumulated Capital Project Fund balances and revenues not needed to repay the bonded debt will be used to provide for previously authorized and future city projects that were not included in the bond proposition. Below are highlights of current city bond and other capital improvement projects:

## TRANSMITTAL LETTER

### Bond Projects:

- Enterprise Boulevard extension - \$13.5 million estimate currently under construction with completion expected in April 2013
- Ryan Street Streetscape downtown development project - \$6.8 million currently under contract with completion expected in the summer 2013
- Millennium Park Phase 2 - \$2.6 million project just beginning with expected completion in March 2013
- Water and sewer projects - \$11.4 million completed projects; \$5.8 million current construction to be completed within the year
- Sallier Street reconstruction
- I-10 Service Roads

### Capital Projects:

#### Recently completed:

- Wastewater Treatment Plant A bar screen replacement and aeration basin improvement project - \$4 million
- Transit Facility – \$5 million, including land purchase
- City Hall window replacement - \$550,000 project. Department of Energy ARRA funds

#### Under contract or design phase:

- City Court - \$5.2 million project currently under construction with expected completion early 2013
- Gill Street extension - \$2.6 million project contract recently signed – expected completion spring 2013
- Various road, asphalt overlay, sidewalk and drainage projects under design, recently bid or under construction - \$5.1 million
- Sale Road reconstruction and bridge replacement - \$3.8 million in design phase, DOTD and City funds
- Highway 385 multi-use trail - \$1 million pedestrian and bike trail in the downtown area is under design, DOTD and City funds
- Civic Center Rosa Hart Phase 1 - \$1 million under construction
- Civic Center Rosa Hart Phase 2 - \$3 million CDBG Disaster Recovery Funds – currently in bid phase
- Casino infrastructure development - \$7 million city funds allocated, project under design
- Sewer Plant rehab (Plant A and BC) and trunkline extension - \$21 million DEQ loan – Plant A substantially complete, plant BC and trunkline under design

## TRANSMITTAL LETTER

### Long-term financial planning:

The unassigned fund balance in the General Fund is \$22.2 million which represents 36 percent of the 2013 budgeted expenditures and non-capital transfers. It is the City's policy to maintain a 30 percent minimum fund balance target for the General Fund.

Annually the City completes a five year capital improvement plan. This serves as the basis for budgeting and planning the future of the City's capital assets.

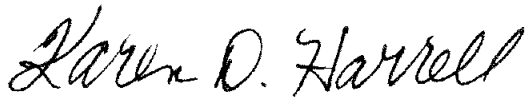
### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial reporting to the City of Lake Charles for its comprehensive annual financial report for the fiscal year ended September 30, 2011. The City also received this award for its reports of the preceding twenty-seven years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe our current report continues to meet Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the entire Finance Department staff. We also wish to acknowledge the continued interest and support of the City's elected officials in maintaining an effective financial management and reporting program.

Respectfully submitted,



Karen D. Harrell  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lake Charles  
Louisiana

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



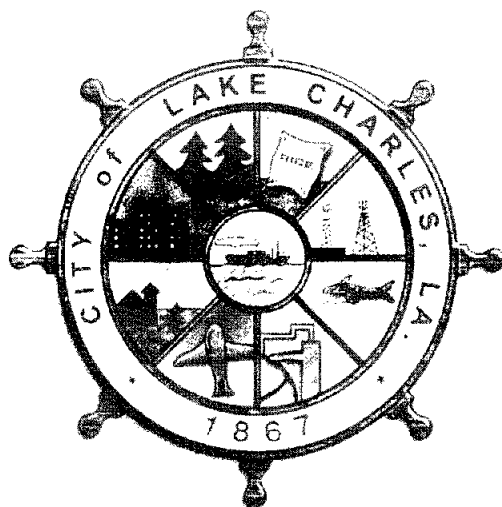
*Christopher P. Moynell*

President

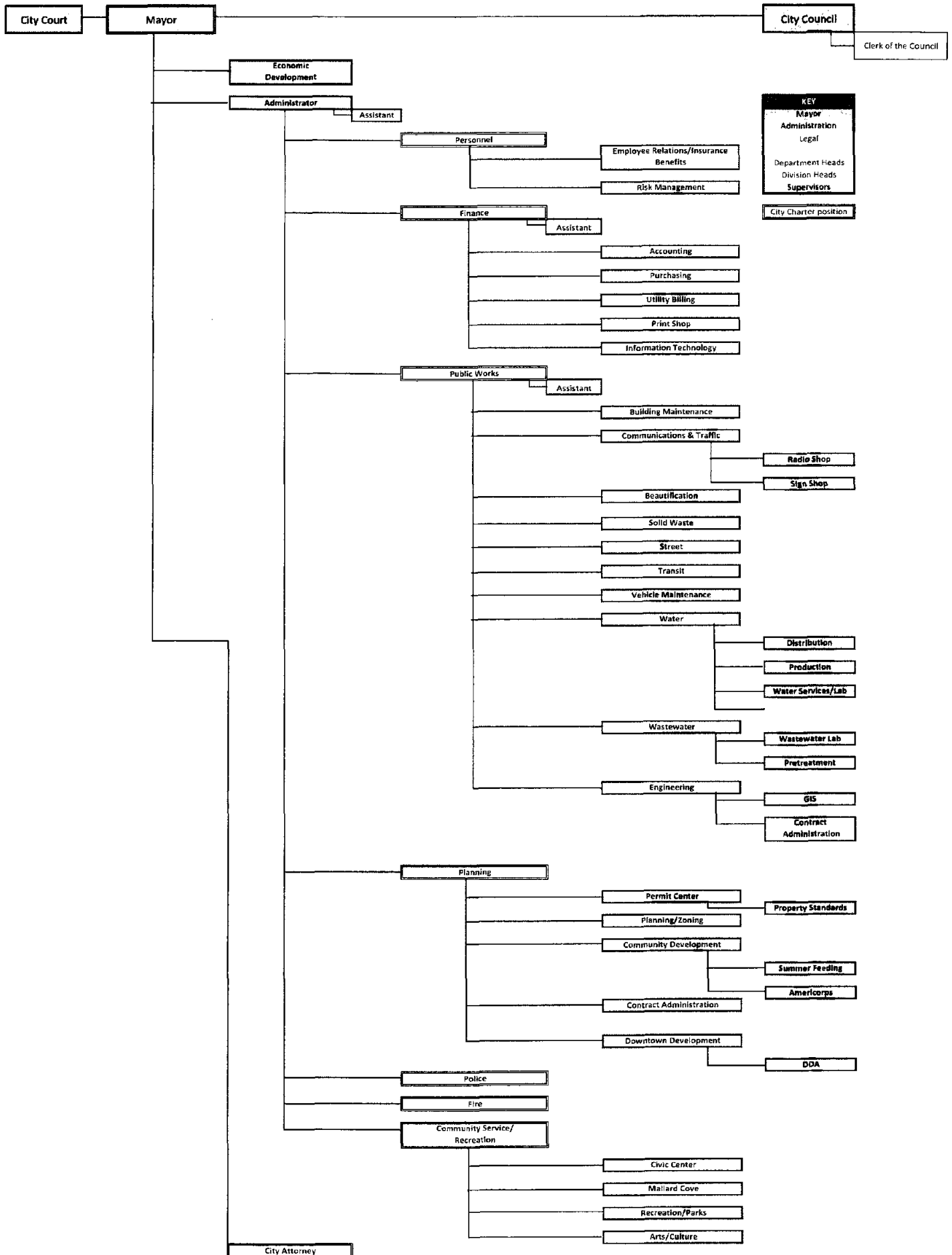
*Jeffrey R. Emer*

Executive Director

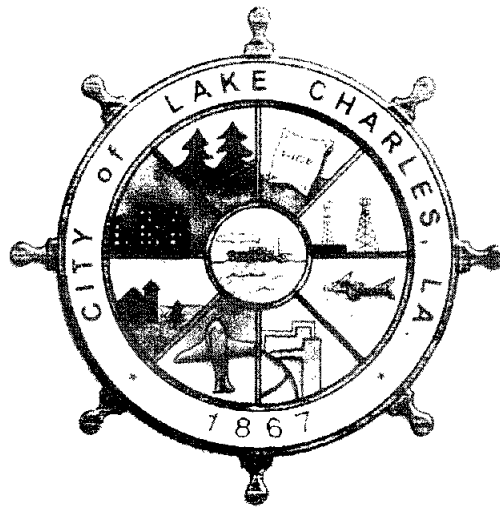
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# ORGANIZATIONAL CHART City of Lake Charles, Louisiana



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**CITY OF LAKE CHARLES**  
**ELECTED CITY OFFICIALS**

	<u>PRESENT TERM BEGINS</u>	<u>PRESENT TERM EXPIRES</u>	<u>BEGAN AS MEMBER</u>
<u>MAYOR</u>			
Randy Roach	July 1, 2009	June 30, 2013	May 2000

<u>CITY COUNCIL</u>			
Mark Eckard, President	July 1, 2009	June 30, 2013	July 2009
Luvertha August, Vice President	July 1, 2009	June 30, 2013	January 2008
Rodney Geyen	July 1, 2009	June 30, 2013	July 1997
John Ieyoub	July 1, 2009	June 30, 2013	July 2009
Dana Carl Jackson	July 1, 2009	June 30, 2013	July 2005
Marshall Simien, Jr.	July 1, 2009	June 30, 2013	July 2005
Stuart Weatherford	July 1, 2009	June 30, 2013	July 2005

<u>CITY JUDGES</u>			
Thomas P. Quirk	January 1, 2009	December 31, 2014	January 1, 1979
John S. Hood	January 1, 2009	December 31, 2014	January 1, 1985

<u>WARD 3 MARSHAL</u>			
Joseph Alcede III	January 1, 2009	December 31, 2014	November 16, 2004

## **CITY OF LAKE CHARLES**

### **DEPARTMENT HEADS**

<b>EMPLOYEE</b>	<b>DEPARTMENT</b>
JOHN CARDONE	MAYOR'S OFFICE
BILLY LOFTIN, JR.	LEGAL
KAREN HARRELL	FINANCE
WENDY GOODWIN	HUMAN RESOURCES
KEITH MURRAY	FIRE
DON DIXON	POLICE
MISTER EDWARDS	PUBLIC WORKS
RUSS ADAMS	PLANNING AND DEVELOPMENT
PERCY BROWN	COMMUNITY SERVICES

# McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925  
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070  
337 433-1063 • Fax 337 436-6618 • Web page: [www.mqb-cpa.com](http://www.mqb-cpa.com)

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Robert M. Gani, CPA, MT  
Mollie C. Broussard, CPA  
Jason L. Guillory, CPA  
Greg P. Naquin, CPA, CFP™  
Billy D. Fisher, CPA  
Joe G. Peshoff, II, CPA, CVA  
David M. DesOrmeaux, CPA

Michael N. McGee, CPA  
Paula J. Thompson, CPA  
Robin Anderson Conrad, CPA



Judson J. McCann, Jr., CPA, Retired  
Martin L. Chehortsky, CPA, CFE, CFT™  
Carl W. Comeaux, CPA, Retired

CFE - Certified Fraud Examiner  
CFF - Certified Financial Forensics  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Randy Roach  
and City Council  
City of Lake Charles  
Lake Charles Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lake Charles, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2013, on our consideration of the City of Lake Charles, Louisiana's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other postemployment benefits – schedule of funding progress, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Lake Charles, Louisiana's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, schedules of revenues, expenditures, and changes in fund balances – budget and actual, schedules of capital assets used in operation of governmental funds and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, schedules of revenues, expenditures, and changes in fund balances – budget and actual, and schedules of capital assets used in operation of governmental funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Ms Elroy Quirk & Busch*  
Lake Charles, Louisiana  
March 28, 2013

## **CITY OF LAKE CHARLES, LOUISIANA MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis seeks to provide an overview of the financial activity and performance of the City of Lake Charles for the fiscal year ended September 30, 2012, and accompanies the basic financial statements beginning on page 27 of this report. The transmittal letter on pages 1 - 6 of this report provides further information from a broader perspective, and should be consulted in conjunction with this discussion and the financial statements themselves for a more complete understanding of the City's financial condition and economic environment.

### Financial Highlights

- The City's net assets increased by \$16.4 million or 4.2 percent during the year to a total of \$409 million. Unrestricted financial assets comprise 18.2 percent of this total. Most of the increase is related to the City's ongoing investment in capital assets.
- Capital assets increased by \$21.4 million, net of depreciation, representing an increase of 6.2 percent from 2011. The increase includes the donation of lakefront property from Pinnacle Entertainment which appraised at \$3,270,000. The completion of the \$1.2 million Creole Street fire station accounts for the increase in buildings. Improvements at Riverside, Tuten and Millennium Parks and the completion of the lakefront marina accounted for \$4 million. Increases of \$9 million in completed infrastructure projects include \$6.4 million for the McNeese Street Extension project which was funded by bond funds. The City spent \$1.5 million that was on sidewalk construction and repairs and various sewer system improvements. The above projects had been reported as construction in progress in the previous fiscal year.
- The City currently has \$55.2 million in construction in progress, of which \$26 million is for on-going road projects. The Lake Street Improvement project, which is included in the local road category of the bond issue at \$7.7 million, is completed as of this report date. Enterprise Boulevard Extension Phase 1, estimated at \$13.5 million, is under construction with \$9.6 million in bond funds spent at fiscal year-end. The Ryan Street Streetscape project is being funded by downtown development bond funds. Its estimated cost is \$6.8 million with \$5.8 million spent at the end of the fiscal year. The \$5.4 million construction in progress reported in the Business-Type Activity is primarily for the reconstruction of the new Transit Facility which is now opened.
- Also included as construction in progress, the City has spent \$15 million on various bond issue sewer projects and wastewater plant renovations. These projects are funded by bond revenues as well as an EPA grant and a loan from the DEQ State Revolving Loan Fund.
- Total revenue from both governmental and business-type activities was \$116 million, an increase of 4.4 percent from the previous year total of \$111 million. Program revenues increased by 2 percent, most of which are attributable to rate increases for water and sewer services. Sales tax revenues increased by \$2.5 million or 5.9 percent in 2012 from the prior year. The sales tax collections of \$45.7 million account for 39 percent of total revenues.
- The 2012 governmental fund expenditures of \$105.4 million are an increase of 4.8 percent from the \$100.6 million spent in 2011. Departmental expenditures increased by \$2 million or 3 percent. Increases in retirement contribution rates, overtime and health insurance accounted for a portion of the increase. Funds needed for acquisition of rolling stock and equipment increased due to deferral of purchases in the previous year. Capital project expenditures increased by \$2.2 million as the City continues the many projects for infrastructure and various facilities.
- Total governmental fund balances were decreased by \$9.2 million in 2012 to \$120 million. The Capital Project fund balance was decreased by \$10 million as bond proceeds for Phase 2 of the Public Improvement Project and DEQ loan funds were spent down. The Riverboat Fund balance increased by \$1 million due to greater than anticipated tax revenues.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- The General Fund operated with a balanced budget in the current fiscal year, ending with a \$42,101 surplus, which was better than forecasted. The City incurred an operating deficit in fiscal year 2010 for the first time in more than two decades. In 2011, the General Fund ended the year with a deficit of half a million dollars. The ending fund balance of \$25.3 million at September 30, 2012 is unchanged from the 2011 ending balance.

### The Financial Statements

This report encompasses a series of financial statements consisting of the following components:

1. The government-wide financial statements are designed to provide an organization-wide overview similar in nature to the form of reporting used for private-sector businesses. The two components of this presentation are:
  - The Statement of Net Assets is roughly equivalent to a private business balance sheet, summarizing all of the City's assets and liabilities and reporting the difference between the two as "net assets." Changes in net assets over time may provide an indication of either an improving or declining financial position.
  - The Statement of Activities is an organization-wide operating statement which accounts for changes in net assets during the City's 2012 fiscal year. This statement takes into account all revenues and expenses accrued for that year, regardless of when cash is received or paid.

The government-wide statements presented on pages 28 - 29 of this report are a result of the financial reporting model established by Governmental Accounting Standards Board Statement No. 34. These statements also distinguish governmental activities, which are those city functions principally supported by taxes and intergovernmental revenues, from business-type activities which are intended to recover a significant portion of their costs through user fees and charges. The City's governmental activities include such functions as public safety (fire and police) and public works (principally streets, sanitation and sewerage), while its business-type activities consist of a civic center, golf course, transit system, and water utility.

The government-wide statements also include two component units, City Court and the Ward Three Marshal, which are legally separate entities with financial dependency on the City as "primary government." They do not include other legally separate local entities which are financially and operationally independent of the City. This discussion and analysis pertains only to the City as primary government.

2. Fund financial statements report financial data for individual funds into which the City's accounts are organized to maintain compliance with finance-related legal and contractual requirements. This report includes two categories of funds, governmental and proprietary. (The City has no fiduciary funds.)

The governmental fund financial statements generally cover the same functions as the governmental activities in the government-wide statements but differ in their focus on near-term spendable resources rather than longer-term measurement of all net assets. A comparison of the fund and government-wide statements with respect to governmental functions is useful in gaining a longer-term perspective than that provided solely by the near-term focus of governmental fund statements, and reconciliation is provided in the governmental fund statements to support such comparison.

The City maintains twelve individual governmental funds, five of which are classified as major and are separately displayed in the Required Supplemental Information section beginning on page 72 of this report. The remaining seven funds are aggregated into a single display on those statements but are individually presented in the combining statements referred to below.

The proprietary fund financial statements cover business-type activities in which external customers are charged for services, as well as internal service activities funded by charges to other city funds and operating units. The enterprise fund category in these statements corresponds to the business-type activities reported in the government-wide statements. The internal service category consists of two funds which account for

## MANAGEMENT'S DISCUSSION AND ANALYSIS

risk financing and employee group medical benefits. All proprietary fund statements are reported on the accrual basis of accounting as used in the government-wide statements and in private-sector business.

3. Notes to the financial statements provide additional information and explanation necessary for full understanding of the government-wide and fund financial statements and are presented on pages 42 - 70 of this report.
4. Required Supplemental Information is included with information related to OPEB and budget to actual schedules for the major governmental funds.
5. Other information, consisting of the combining statements for the seven non-major governmental funds and two internal service funds, is presented immediately following the notes to the financial statements.
6. The statistical section contains primarily trend data and non-financial information about the City's various activities.

### City-wide Financial Analysis

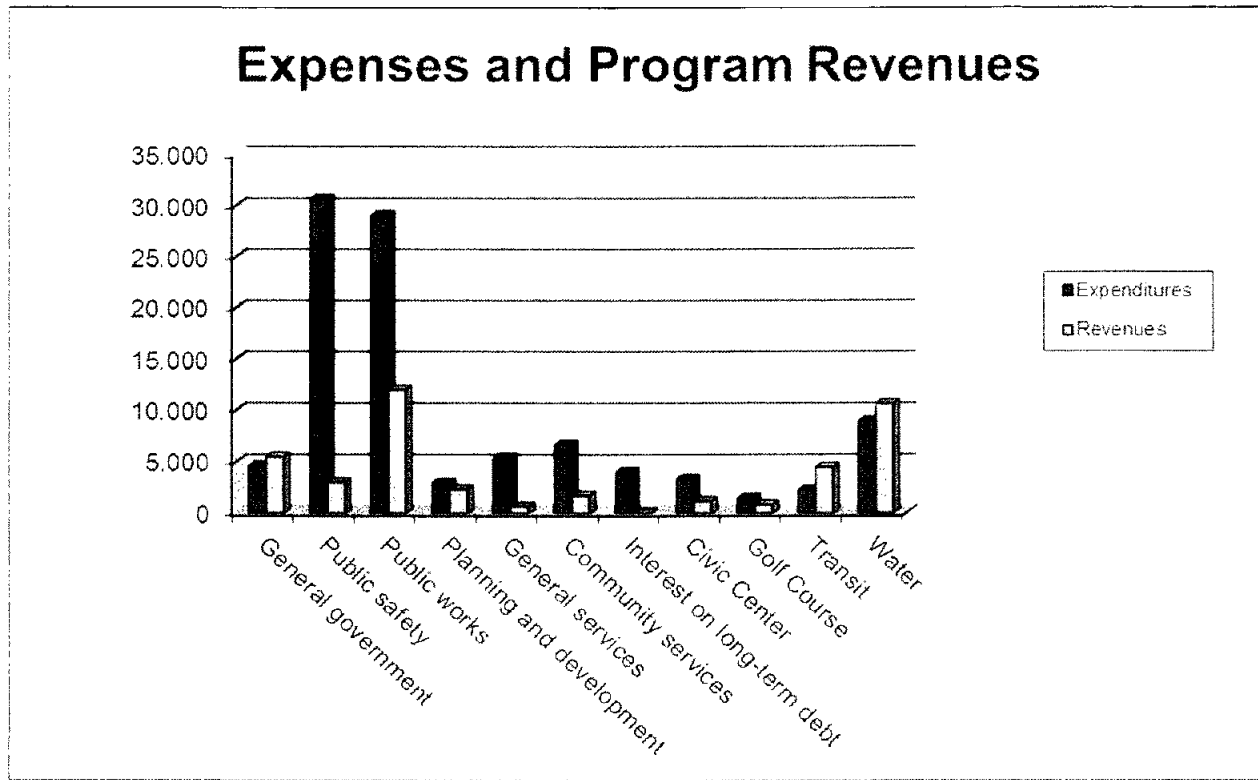
As shown on the government-wide financial statements, the City's net assets at the end of 2012 were \$409,015,453, with 72 percent of this total consisting of capital assets, i.e., physical plant, equipment, and infrastructure, less related outstanding debt. An additional 9 percent of net assets are externally restricted by law or contract, leaving 19 percent as unrestricted net assets which are generally available for use at the City's discretion. Year-end assets, liabilities, and net assets are summarized below. It should be noted that the investment in capital assets is not available as a financial resource for payment of related debt, other liabilities, or future costs, which will require the use of either existing financial resources or future revenues. Also note that capital assets are reported net of accumulated depreciation and that the infrastructure portion of these reported assets includes only those projects completed since 1975.

<b>NET ASSETS</b>						
<b>(in thousands)</b>						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 143,398	\$ 150,928	\$ 10,716	\$ 7,817	\$ 154,114	\$ 158,745
Capital assets	299,883	280,796	68,959	66,627	368,842	347,423
Total assets	443,281	431,724	79,675	74,444	522,956	506,168
Long-term liabilities	93,142	93,788	749	681	93,891	94,469
Current and other liabilities	17,992	17,511	2,058	1,551	20,050	19,062
Total liabilities	111,134	111,299	2,807	2,232	113,941	113,531
Net assets:						
Invested in capital assets,						
net of debt	225,587	223,583	68,959	66,627	294,546	290,210
Restricted	39,888	51,978	-	-	39,888	51,978
Unrestricted	66,672	44,864	7,909	5,584	74,581	50,448
Total net assets	\$ 332,147	\$ 320,425	\$ 76,868	\$ 72,211	\$ 409,015	\$ 392,636

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Net assets increased by \$16,379,143 or 4.2 percent for the City as a whole during the 2012 fiscal year. The change in net assets for governmental activities was a 3.66 percent increase, while business-type activities experienced a 6.5 percent increase. Most of the change is related to increases in capital assets.

The following chart summarizes expenses and related program revenues for the various governmental and business-type functions displayed in the financial statements. The significance of this comparison is that the portion of each function's expenses not offset by program revenues is left to be covered by general revenues, namely taxes and other unrestricted sources.



On an overall basis, the City's total costs in 2012 were \$83.5 million for governmental activities and \$16.1 million for business-type activities. The portions not covered by program revenues, or net costs funded by taxes and other general revenues, were \$58.2 million for governmental activities. The public safety function (fire and police) historically accounts for the largest share of net cost, with \$27.6 million in excess expenses over program revenues during 2012. Total expenses of \$99.7 million are a 1.5 percent increase over 2011 expenses of \$98.2 million. The largest increase in expenses was \$1.9 million in the Public Safety activity due to increased retirement contributions and overtime expenses. Primarily due to capital contributions for the new Transit Facility and charges for service in the Water Fund, the business-type activities program revenues exceed expenses by \$1 million in 2012.

The City's total revenue for 2012 was \$116 million, a 4.4% increase from 2011 revenues of \$111 million. Sales tax revenue for the Governmental Activities increased by \$2.5 million or 5.9 percent. Grants and contributions not restricted to specific programs include the donation of property on the lakefront in the amount of \$3.27 million.

The Statement of Activities for 2012 categorizes the City's revenues as either program revenues, which are service charges or grants and contributions for specific governmental or business-type functions, or general revenues which include most taxes and other revenue sources of a government-wide nature.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Major components of program and general revenues, together with total expenses and the resulting change in net assets, are summarized below for the 2012 fiscal year.

<b>CHANGES IN NET ASSETS</b>						
(in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 17,320	\$ 16,874	\$ 12,579	\$ 12,329	\$ 29,899	\$ 29,203
Operating grants & contributions	5,038	4,506	1,423	1,412	6,461	5,918
Capital grants & contributions	2,991	5,844	3,185	736	6,176	6,580
General revenues:						
Property taxes	7,708	7,923	-	-	7,708	7,923
Sales taxes	45,660	43,128	-	-	45,660	43,128
Utility franchise taxes	4,874	5,787	-	-	4,874	5,787
Riverboat gaming taxes	9,713	9,114	-	-	9,713	9,114
Other general revenues	5,517	3,474	35	52	5,552	3,526
Total Revenues	98,821	96,650	17,222	14,529	116,043	111,179
Expenses:						
General government	4,644	4,585	-	-	4,644	4,585
Public safety	30,667	28,682	-	-	30,667	28,682
Public works	29,048	30,294	-	-	29,048	30,294
Planning and development	2,982	3,196	-	-	2,982	3,196
General services	5,429	4,384	-	-	5,429	4,384
Community services	6,730	6,936	-	-	6,730	6,936
Interest in long-term debt	4,053	3,935	-	-	4,053	3,935
Civic Center	-	-	3,356	3,575	3,356	3,575
Golf Course	-	-	1,489	1,496	1,489	1,496
Transit	-	-	2,299	2,215	2,299	2,215
Water	-	-	8,967	8,948	8,967	8,948
Total expenses	83,553	82,012	16,111	16,234	99,664	98,246
Excess before transfers	15,268	14,638	1,111	(1,705)	16,379	12,933
Transfers	(3,546)	(2,746)	3,546	2,746	-	-
Increase (decrease) net assets	\$ 11,722	\$ 11,892	\$ 4,657	\$ 1,041	\$ 16,379	\$ 12,933

As indicated by the above table and the following chart, sales taxes are the City's largest single revenue source, accounting for 39.3 percent of all government-wide revenue in 2012, with a 5.9 percent increase from 2011. The fiscal year 2013 budget projection is for increased revenues of 1.4 percent, which equals the current trend for the past 6 months compared to the actual 2012 collection.

Charges for services are increased due to improved collections and increased rates in utility user fees for the last several years. The total capital grant funds were reduced from 2011 with the revenue shifting to the business-type activities in 2012 compared to the Governmental Activities in 2011. The FTA funds for the new Transit Facility are recorded in the current year, whereas funding for improvements to wastewater treatment facilities were recorded in 2011.

Property taxes account for less than 7 percent of total revenues and decreased by less than 2.7 percent in 2012. Utility franchise taxes were reduced by nearly \$1 million in the current fiscal year. A portion of this loss of revenue was offset by a reduction in City electric utility costs.

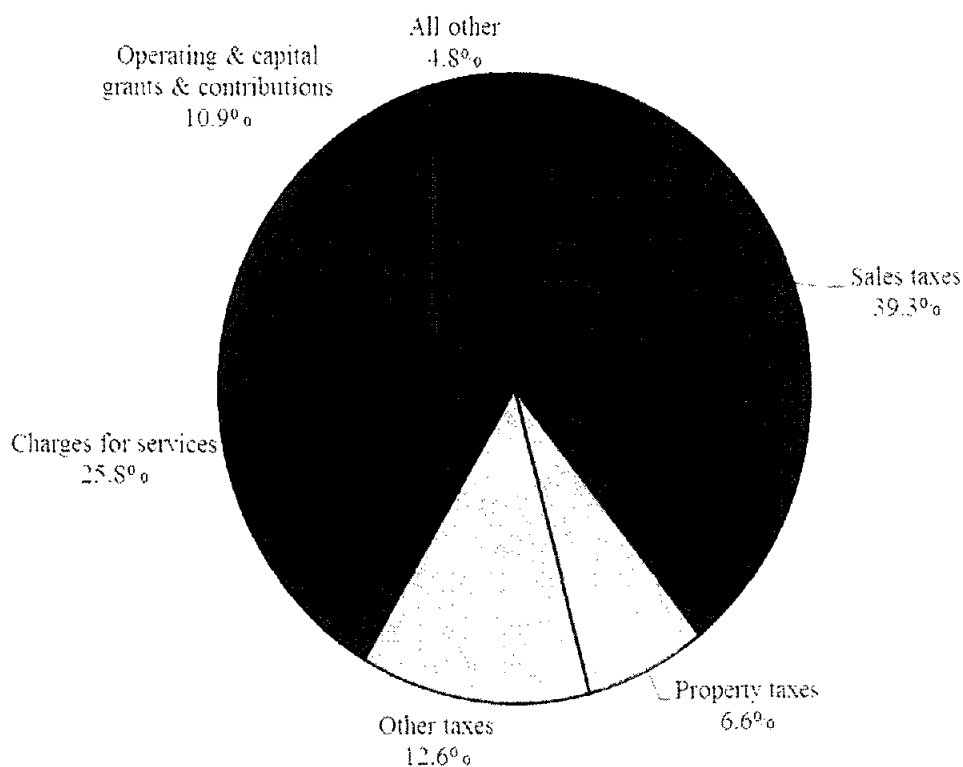
## MANAGEMENT'S DISCUSSION AND ANALYSIS

Gaming tax revenue accounts for 8.4 percent of total revenues. The City of Lake Charles and the Calcasieu Parish Police Jury created the Calcasieu Parish Gaming Revenue District and in April 2007 entered into a cooperative endeavor agreement to pool most gaming revenues received parish-wide. Revenues for fiscal year 2012 were increased by 6.6 percent from 2011 collections. Other general revenues are increased due to a land donation on the City's lakefront.

Total expenses increased from \$98.2 million to \$99.7 million or 1.5 percent in 2012. The increase is related to the governmental activities for public safety which increased by \$2 million due to increased personnel cost for retirement contributions and overtime. The decrease in the public works activities are related to changes in fixed assets that were included on the statement of activity in 2011. The increase in the governmental activities general services category is due to funds spent for capital assets in that category in 2012.

Net transfers from governmental funds to proprietary funds were increased by 29 percent compared to 2011. In 2012, the transfer to the Risk Management Fund was \$568,634 compared to \$1 million in 2011. However, in 2012 the Employee Insurance Fund transferred \$750,000 to the General Fund, resulting in a net transfer out of \$181,366 from the Internal Service Funds, rather than the previous transfer in. Capital expenditures of bond funds for Water Fund projects of \$542,580 are reflected in the transfer from the Capital Project Fund to the proprietary Water Fund. This transfer is displayed as a capital contribution in the proprietary funds.

### Revenues by Major Source - All Activities



### Analysis of Fund Financial Statements

This discussion pertains to the financial statements for the various funds into which the City's accounts are divided to comply with legal requirements. As previously noted, the two fund classifications represented in these statements are governmental and proprietary funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's governmental funds had a combined fund balance of \$120,107,736 at the end of fiscal year 2012, a decrease of \$9.2 million from fiscal year 2011. The General Fund's operating expenditures and operating subsidy transfers nearly equaled revenues in 2012 resulting in an operating surplus of \$42,101 in the General Fund. This followed two years of recorded deficits, the first deficits in decades. The Capital Project Fund had a \$10 million decrease of fund balance due to the spend-down of bond proceeds that were issued in 2010 for capital improvement projects.

The City's proprietary funds' net assets increased from \$72,211,430 in 2011 to \$76,868,184. The largest increase was \$3 million in the Transit Fund due to FTA funds that are being used for the construction of the new Transit Facility. The Water Fund's net assets increased by \$2.7 million due to increased revenues and transfers from governmental funds for capital assets.

### General Fund Summary

The General Fund is the City's principal operating fund, accounting for nearly half of all revenue received by the City and 59 percent of revenue for all governmental activities.

The City's operating budget was amended during the 2012 fiscal year. The amendment reduced the projected deficit from \$2.9 million to \$2 million, with a \$1 million reduction in expenditures. Most of the reduction was in the Public Works Department, which ended the fiscal year by spending \$838,000 less than the amended budget. They accomplished these savings by not filling vacant positions and managing supply and equipment purchases. Electricity costs were reduced for all City departments. City departments continue to work with the administration to curtail costs in some areas in order to offset increases that are not as controllable, such as retirement contributions and fuel costs.

The budget amendment for General Fund revenues shifted between the categories but was unchanged in the amount of \$55.7 million. Actual revenues of \$56,155,779 exceeded the budgeted amount by \$400,094. This amount was less than a 1 percent increase compared to 2011 revenues of \$55.7 million.

Sales tax revenues of \$34.5 million, which account for 61 percent of all General Fund revenues, were increased by 5 percent or \$1.6 million over 2011 collections and exceeded projected revenues by \$243,000. The amount collected in 2012 has returned to amounts collected prior to the 2008 recession.

Actual General Fund operating expenditures of \$53,480,447 were \$1.7 million less than the budgeted amount. Salaries and fringe benefits were \$450,000 less than budget, as the City refrained from filling vacant positions during the fiscal year. Savings in other areas such as maintenance, materials and supplies, and utilities were \$1.2 million. The \$53.5 million expended represents a 2.3 percent increase over prior year expenditures of \$52.3 million. For the year, salaries, which account for 42 percent of total expenditures, were decreased by nearly 1 percent due to vacant positions and pay increases being limited to the 2 percent longevity pay for eligible employees. Overtime increased to \$2.1 million in 2012 compared to \$1.9 million in 2011, primarily in the Police Department. Retirement contributions rates for the Fire and Police Departments continue to increase and create the City's largest challenge. Contributions for all retirement systems went from \$2.9 million in 2010 to \$4.2 million in the 2011 fiscal year and were \$4.5 million in 2012. The City continues to limit spending on vehicles and other small and large equipment purchases.

The General Fund's 2011 and 2012 transfers included those necessary to subsidize the grant funds and the proprietary funds and did not include any capital transfers. The transfer to the Risk Management Fund included \$568,634 for the \$3 million firefighters' supplemental pay lawsuit. The final payment was made in fiscal year 2012.

In fiscal year 2011 the General Fund received a transfer of \$800,000 from gaming funds that was used to cover the cost of vehicles and other equipment. This amount was reduced in 2012 to \$405,000 and was used for the same purpose as the previous year. The transfer to the General Fund from the Facility Renewal Fund was to pay for the cost of major repairs to the City's incinerator used by Public Works and to pay for the replacement of the Fire Department's alarm system.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The total increase in fund balance was \$42,101, as opposed to the amended reduction of \$2 million. As part of the fiscal year 2013 budget process in August, 2012 the deficit was projected to be \$1.3 million. This favorable variance is attributable to an increase in actual revenue, primarily sales tax and charges for services, and savings in operating cost due to factors such as staffing vacancies and further reduction in equipment purchases by the Public Works Department. The City has committed to use \$2.6 million of fund balance in fiscal year 2013 to offset the shortfall that is projected in expenditures over revenue.

The General Fund's ending balance in 2012 was \$25,356,964, which represents 44 percent of total expenditures and transfers made from the fund that year. These amounts are unchanged from the amount and percent at 2011 fiscal year end.

### Other Major Fund Summary

The Riverboat Gaming Special Revenue Fund revenues of \$9.7 million were a 6.6 percent increase in riverboat taxes compared to 2011 and were nearly \$1 million more than budgeted. This unanticipated revenue increased fund balance by \$1 million resulting in a total fund balance of \$4 million.

The Waste Water Special Revenue Fund revenues increased by 7 percent in fiscal year 2012 compared to the prior year. The increase is attributable to a rate increase of 8 percent in January 2012. As has been the practice in the last several years, funds were transferred to the Capital Project Fund for major sewer rehabilitation projects and to debt service funds to pay for debt service obligations. The transfer in 2012 increased to \$6.8 million compared to \$3.4 in 2011. The increase in the transfer to the Capital Project was to partially fund infrastructure improvements needed for the new casino development and for future expansion of Plant D. These planned expansions were considered when the rate structure was adopted so therefore the revenues collected were sufficient to fund the transfer. The fund balance of \$7.5 million will be used for needed major improvements to the wastewater treatment facilities and line rehabilitation.

The Debt Service Fund expenditures for 2012 increased 1.7 percent to \$9.5 million. The City continues to draw down funds from the DEQ loan as needed for sewer plant improvements, but the principal payments will not begin until the 2013 fiscal year. Transfers from other funds are typically near or equal to the amount of the debt service payment. Fund balance reserves from previous years of \$4.9 million were relatively unchanged.

The Capital Projects Fund accounts for over 26 percent of all governmental fund expenditures. Those expenditures are related to contract and design costs for city bond projects as well as other capital project expenditures. Expenditures increased to \$27 million in 2012 compared to \$24 million in 2011 due to numerous large infrastructure projects underway. The transfers out of the fund reflect capital asset expenditures of bond funds for assets that are recorded in the Enterprise Funds of \$542,580; debt service requirements of \$831,635 for the 2007 bond issue; and \$1,268,280 for the 2010 bond issue. Fund balance was reduced by \$10 million to \$70 million as bond proceeds and other accumulated capital project funds are expended.

The business-type activities had a \$4.5 million increase in total net assets. Capital grants and contributions in the Transit Fund represent funds received from the Federal Transit Authority for the construction of a new \$4 million transit facility that was recently opened. Charges for Services increased by 2 percent in 2012 with the largest increase being in the Water Fund, where rates were increased in January 2012. The Transit Fund's net assets increase of \$3 million is a reflection of the new facility. The Water Fund's net assets increased by \$2.7 million. The Civic Center's net assets were reduced by \$1.2 million, an amount equal to their annual depreciation expense.

### Capital Assets

The City's total investment in capital assets at the end of the 2012 fiscal year was \$368.8 million, net of accumulated depreciation. The increase in capital assets during the year was \$21.4 million which includes \$19 million for completed projects.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The completion of the \$6.4 million McNeese Street Extension project accounts for the majority of the Governmental Activities decrease in the construction in progress and is included as an increase to the infrastructure category on the Capital Asset schedule below. At fiscal year-end, the City had several projects under construction such as road projects, sewer line extensions and park projects.

The voters of Lake Charles approved a \$90 million bond issue in November 2006. Riverboat gaming revenue, sales tax revenues and funds from sewer user fees are used to repay the debt. Proceeds from the bonds are being used for improving streets and roads, park and recreation facilities, water and waste water systems, downtown and/or lakefront development infrastructure and economic development initiatives within the City.

The City issued \$35 million in bonds in May 2007 for Phase I of the \$90 million public improvement project. An additional \$40 million was issued in March 2010. As of September 30, 2012 the City had spent \$64 million on bond projects of which \$13.6 million was spent in fiscal year 2012. Three local road projects have been completed to date. \$17 million in construction in progress at year end is for the Lake Street project which is now completed, and the Enterprise Boulevard extension road project which is also under construction. There are several sewer projects under contract, and they account for \$15 million in construction in progress.

The development of the lakefront and downtown area has been on the minds of citizens, and much progress has been made with the recent completion of the marina and the lakefront promenade. The City continues the \$6.8 million Ryan Street Streetscape project that will transform the main corridor through downtown into a pedestrian friendly street which will encourage and continue the revitalization of downtown businesses. The rebuild of the Millennium Park on the lakefront is a very exciting, community minded project. Phase 2 of the Park rebuild is nearing completion.

This influx of bond revenues will allow the City to complete projects that were included in the tax proposal while continuing to spend accumulated capital project funds for previously authorized projects. Funds not needed for repayment of the new debt will continue to be authorized for future projects not included in the bond proposal.

Major capital asset events during the current year included the following:

- Completion of Creole Street Fire Station (\$1.2 million; most expenses in prior year)
- Gill Street extension (\$1.3 million construction in progress; 2012 expenses funded by CDBG Disaster Recovery Funds and bond funds)
- Wastewater Plant improvement to aeration/bar screen (\$4.2 million construction in progress; most expenses in prior years )
- Wastewater Plant A Improvements (\$4.6 million construction in progress; \$3.9 million in fiscal year 2012; funded by DEQ Revolving Loan)
- City Transit Facility (\$4.7 million construction in progress; \$3.5 million in fiscal year 2012; funded by FTA funds)
- City Court Building (\$2.1 million construction in progress; \$1.8 million in fiscal year 2012; funded partially by loan from Calcasieu Parish Public Trust Authority)
- Completion of various city park improvements, including Millennium, Riverside and Tuten Park (current and prior year expenses)

Bond project current year expenses are as follows:

- Completion of the Lakefront Marina (\$2 million, most expenses in prior years)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- Local roads:
  - Completion of McNeese Street extension (\$6.4 million, most expenses in prior years)
  - Substantial completion of Lake Street renovations (\$7.7 million construction in progress; \$3.2 million fiscal year 2012 expenses)
  - Enterprise Boulevard extension (\$9.3 million construction in progress; \$3.9 million fiscal year 2012 expenses)
- Sewer projects: various sewer projects, primarily Lyles Peters Road (\$4.9 million construction in progress; \$672,000 fiscal year 2012 expenses)
- Continued Lakefront and Downtown Development:
  - Ryan Street Streetscape (\$5.8 million construction in progress; \$3.4 million fiscal year 2012 expenses)
  - Children's Playground – Millennium Park Phase II (\$1.7 million construction in progress; \$800,000 in fiscal year 2012 expenses)

Components of the City's capital assets are summarized in the following table. As previously noted, reported value for infrastructure is limited to projects completed since 1975. Additional detail is provided by the financial statements and notes thereto (Note 4-C).

Capital Assets as of September 30, 2012 (net of depreciation, in thousands)						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 16,613	\$ 12,793	\$ 2,105	\$ 2,105	\$ 18,718	\$ 14,898
Construction in progress	49,870	40,402	5,361	1,452	55,231	41,854
Buildings	31,901	31,999	2,429	2,740	34,330	34,739
Improvements other than buildings	31,012	28,892	55,777	56,697	86,789	85,589
Equipment	8,035	7,945	3,287	3,633	11,322	11,578
Infrastructure	162,452	158,765	-	-	162,452	158,765
Total	<u>\$ 299,883</u>	<u>\$ 280,796</u>	<u>\$ 68,959</u>	<u>\$ 66,627</u>	<u>\$ 368,842</u>	<u>\$ 347,423</u>

### Debt Administration

As of September 30, 2012, the City had \$97.9 million in non-current liabilities compared to \$99.3 million the previous year. Over 84 percent of the total is bonded debt, all of which is payable from future annual appropriations. Approximately 67 percent of the outstanding bond principal is due within ten years.

The City has no outstanding general obligation debt to which a bond rating can be assigned. All outstanding bond issues are insured and therefore rated "AAA" by Standard and Poor's.

The City underwent a formal bond rating process for the first time in recent history in early 2007. They received a rating of 'A+' from Fitch and a rating of 'A' from Standard and Poor's. The 2007 LCDA bond issue of \$35 million had the afore-mentioned underlying rating but is insured so was therefore sold with a rating of 'AAA'. In the fall of

## MANAGEMENT'S DISCUSSION AND ANALYSIS

2010 Fitch affirmed their rating on these bonds and upgraded to 'AA-'. Fitch affirmed the 'AA-' rating again in July 2012. At that time, Fitch also assigned an implied unlimited tax general obligation rating of 'AA'. Statutory debt limits are not applicable to any of the City's current outstanding debt.

The City issued phase two of funding in March 2010 as authorized in the \$90 million bond proposition. The \$39,280,000 LCDA bond issue had an underlying rating from Standard and Poor's of 'A+' but were sold as insured 'AAA' bonds. Both the 2007 and 2010 bond issues will be repaid as outlined in the bond covenant. A maximum of 60 percent of Riverboat Gaming Funds, 60 percent of sales tax dedicated to capital projects and up to \$500,000 in sewer user fees are dedicated for the debt service. Stand-by revenues of additional property tax and sales tax levies can be implemented if the primary revenues should ever fall below required debt service limits.

The City refunded \$20 million in variable rate bonds in October 2009. At that time, the City requested a rating from Standard and Poor's and was upgraded to a rating of 'A+'. The bonds, in the amount of \$17,735,000, were insured and were sold with a rating of 'AAA'. The sewer user fees of the Wastewater Special Revenue Fund are used to repay this debt.

The City of Lake Charles has been approved by the Louisiana Department of Environmental Quality for a \$21,000,000 loan from the State Revolving Loan Fund for improvements to the City's wastewater system. As of the end of the fiscal year, the City had received \$5.1 million from the loan proceeds. During the first two years, debt service payments will be for interest only and will be based on the principal amount received. Ultimately, the principal payment will be based on the total amount of funds drawn down and will be repaid with sewer user fees of the Wastewater Special Revenue Fund over a 20 year period.

On behalf of Lake Charles City Court, the City borrowed \$3 million from a banking institution for a 20 year period to construct a new court house. The debt will be paid through fines generated by the court system.

Additional information regarding long-term debt and liabilities is provided in the financial statements and accompanying notes (Note 4-G).

### Economic Outlook and Next Year's Budget

- Sales tax: The information on taxable sales was obtained from the Taxable Sales Analysis prepared by the Calcasieu Parish School Board Sales Tax Office for the period February 2013. Parish-wide taxable sales comparisons for the twelve month period ending February 28, 2013 of \$4.47 million compared to the twelve month period ending February 28, 2012 of \$4.26 million shows an increase of \$210 million or 4.9 percent.

City of Lake Charles sales tax collections for the first four months of 2011 fiscal year included a one-time audit collection and inflated February 2011 collections. Without this audit collection in the prior year, revenues for the four month period would reflect a 6.35 percent increase; including the audit collection amount results in flat revenue comparisons for the four month period.

- Gaming industry: Riverboat casinos in Calcasieu Parish and slot machines at Delta Downs, for calendar year 2012 had taxable gaming proceeds of \$643 million, which was up 12 percent from calendar year 2011.
- Labor market trends: The January 24, 2013 Louisiana Workforce Commission news release reported that the preliminary December 2012 unemployment rate for the Lake Charles MSA was 5.3 percent compared to 6.3 percent in December 2011; the statewide unemployment rate was 5.5 percent; and the nationwide unemployment rate was 7.6 percent.

Lake Charles was recently named Acadian's City of the Year by the Acadian Profile magazine. The article outlines the "explosive" growth that Lake Charles and the surrounding parishes are expecting over the next few years. More than \$42 billion in new industry developments have been announced in recent months with projections of nearly 6,000 new jobs, more than 18,000 construction jobs and nearly 8,000 indirect jobs. SASOL Ltd. is the largest investor, building a gas-to-liquid facility with costs estimated between \$16 and \$21 billion. Local government

## MANAGEMENT'S DISCUSSION AND ANALYSIS

officials are meeting and preparing for the anticipated, unprecedented growth and influx of workers in the area. These projects were outlined in more detail in the transmittal letter of this report.

The above items and other economic indicators were considered when preparing the budget for the 2013 fiscal year.

The City adopted a 2013 General Fund budget which is projected to draw down \$2,567,929 of its previously accumulated fund balance to cover the difference between projected revenues and operating expenditures and transfers to other funds. Revenues are budgeted to increase by 3 percent over the adopted 2012 revenues.

Operating expenses were projected to increase by 2.2 percent compared to the adopted 2012 budget. Pay increases for employees are limited to a 2 percent longevity increase for eligible employees, which are mandated by state statute for public safety employees. The retirement contributions of \$4.5 million to be paid to the state retirement systems have more than doubled since 2009 and are a serious on-going concern for all governments across the state and nation. Increased claims cost in the Risk Management Fund resulted in a 10 percent increase in the insurance line items. All other categories of expenditures remain constant from the previous fiscal years as the City administration continues to contain cost and operate as efficiently possible.

The City completed 2012 with a General Fund balance of \$25.3 million which exceeds the City's policy of maintaining a minimum fund balance target of 30 percent of budgeted expenditures and non-capital transfers.

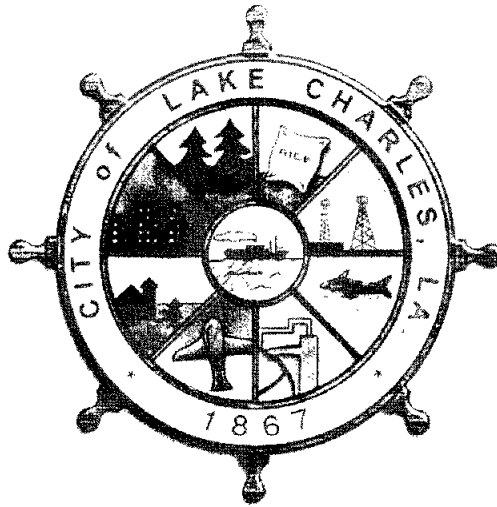
The City is moving forward with the projects that were approved in the bond proposition for improvements to roads, recreation facilities, water and wastewater systems, and downtown development. \$64 million of bond funds had been spent at fiscal year-end. Another \$4.8 million has been spent to date in the current year primarily on the Enterprise Boulevard Parkway and Phase 2 of the Millennium Children's Park. Remaining bond funds of \$10 million will be spent to complete these projects as well as fund other projects such as other lakefront development, infrastructure expansions and economic development initiatives.

The Capital Project budget of \$15 million includes new sources of funding as well as the spending of funds that were previously accumulated for roads and other projects that were not included in the bond projects.

### Requests for Information

This report is intended to provide interested parties with a general overview of the finances of the City of Lake Charles. Questions or requests for further financial information should be addressed to the Department of Finance, City of Lake Charles, P. O. Box 3706, Lake Charles, Louisiana 70602.

# BASIC FINANCIAL STATEMENTS



# CITY OF LAKE CHARLES, LOUISIANA

## Statement of Net Assets

September 30, 2012

	Primary Government			Component Units	
	Governmental	Business-Type	Total	City Court	City Marshal
ASSETS	Activities	Activities	Total		
Cash and cash equivalents	\$ 44,602,818	\$ 3,897,580	\$ 48,500,398	\$1,648,236	\$ 616,494
Investments	82,510,858	6,277,655	88,788,513	-	-
Receivables (net of allowance for uncollectables)	12,143,067	1,734,052	13,877,119	-	566
Internal balances	2,649,946	(2,649,946)	-	195,241	-
Inventories	314,644	269,922	584,566	-	-
Prepays	1,176,646	78,476	1,255,122	-	-
Restricted assets:					
Cash and cash equivalents	-	1,108,789	1,108,789	2,097,314	-
Capital assets not being depreciated:					
Land	16,612,880	2,104,506	18,717,386	-	-
Construction in progress	49,870,089	5,360,730	55,230,819	-	-
Capital assets net of accumulated depreciation:					
Building	31,900,962	2,429,341	34,330,303	-	-
Improvements other than buildings	31,012,548	55,777,455	86,790,003	-	-
Equipment	8,034,793	3,286,753	11,321,546	48,436	146,660
Infrastructure	162,451,977	-	162,451,977	-	-
Total assets	<u>443,281,228</u>	<u>79,675,313</u>	<u>522,956,541</u>	<u>3,989,227</u>	<u>763,720</u>
LIABILITIES					
Accounts payable & other current liabilities	5,522,380	943,951	6,466,331	9,586	2,171
Liabilities payable from restricted assets	-	1,108,548	1,108,548	-	-
Noncurrent liabilities:					
Claims payable within one year	5,989,527	-	5,989,527	-	-
Claims payable in more than one year	1,611,271	-	1,611,271	-	-
Due within one year	6,479,979	5,000	6,484,979	-	-
Due in more than one year	90,086,643	551,193	90,637,836	-	-
OPEB payable	1,444,159	198,437	1,642,596	-	-
Total liabilities	<u>111,133,959</u>	<u>2,807,129</u>	<u>113,941,088</u>	<u>9,586</u>	<u>2,171</u>
NET ASSETS					
Invested in capital assets, net of related debt	225,587,223	68,958,785	294,546,008	48,436	146,660
Restricted for:					
Capital projects	28,465,883	-	28,465,883	-	-
Debt service	3,267,847	-	3,267,847	-	-
Other - Wastewater	8,154,218	-	8,154,218	-	-
Unrestricted	66,672,098	7,909,399	74,581,497	3,931,205	614,889
Total net assets	<u>\$332,147,269</u>	<u>\$ 76,868,184</u>	<u>\$ 409,015,453</u>	<u>\$3,979,641</u>	<u>\$ 761,549</u>

The notes to the financial statements are an integral part of this statement.

# CITY OF LAKE CHARLES, LOUISIANA

## Statement of Activities

For the Year Ended September 30, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues			Changes in Net Assets			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	City Court	City Marshal	
<b>Primary government:</b>										
Governmental activities:										
General government	\$ 4,644,212	\$ 5,067,281	\$ 242,935	\$ 215,568	\$ 881,572	\$ -	\$ 881,572	\$ -	\$ -	
Public safety	30,667,312	133,963	2,272,681	646,312	(27,614,356)	-	(27,614,356)	-	-	
Public works	29,047,659	11,146,171	85,081	807,482	(17,008,925)	-	(17,008,925)	-	-	
Planning and development	2,981,902	553,147	1,778,595	-	(650,160)	-	(650,160)	-	-	
General services	5,428,845	44,003	-	603,717	(4,781,125)	-	(4,781,125)	-	-	
Community services	6,730,143	375,767	658,544	718,276	(4,977,556)	-	(4,977,556)	-	-	
Interest in long-term debt	4,053,332	-	-	-	(4,053,332)	-	(4,053,332)	-	-	
Total governmental activities	83,553,405	17,320,332	5,037,836	2,991,355	(58,203,882)	-	(58,203,882)	-	-	
Business-type activities:										
Civic center	3,356,078	975,050	200,000	-	-	(2,181,028)	(2,181,028)	-	-	
Golf Course	1,489,217	844,392	-	-	-	(644,825)	(644,825)	-	-	
Transit	2,298,862	115,597	1,222,853	3,184,780	-	2,224,368	2,224,368	-	-	
Water	8,967,466	10,644,220	-	-	-	1,676,754	1,676,754	-	-	
Total business-type activities	16,111,623	12,579,259	1,422,853	3,184,780	-	1,075,269	1,075,269	-	-	
Total primary government	\$99,665,028	\$29,899,591	\$6,460,689	\$6,176,135	\$ (58,203,882)	\$ 1,075,269	\$ (57,128,613)	\$ -	\$ -	
<b>Component units:</b>										
City Court	\$ 726,438	\$ 430,062	\$ -	\$ 1,132,635				\$ 836,259	\$ -	(118,221)
City Marshal	702,929	584,708	-	-				-	-	(118,221)
Total component units	\$ 1,429,367	\$ 1,014,770	\$ -	\$ 1,132,635				\$ 836,259	\$ -	
General revenues:										
Property taxes					7,707,653	-	7,707,653	-	-	
Sales taxes					45,659,894	-	45,659,894	-	-	
Franchise taxes					4,873,591	-	4,873,591	-	-	
Riverboat taxes					9,713,282	-	9,713,282	-	-	
Grants and contributions not restricted to specific programs					3,462,831	-	3,462,831	-	-	
Interest and investment earnings					575,503	35,695	611,198	3,340	-	
Miscellaneous					1,479,307	-	1,479,307	298,768	-	
Transfers					(3,545,790)	3,545,790	-	-	-	
Total general revenues and transfers					69,926,271	3,581,485	73,507,756	302,108	-	
Change in net assets					11,722,389	4,656,754	16,379,143	1,138,367	(118,221)	
Net assets - beginning					320,424,880	72,211,430	392,636,310	2,841,274	879,770	
Net assets - ending					\$ 332,147,269	\$76,868,184	\$ 409,015,453	\$ 3,979,641	\$ 761,549	

The notes to the financial statements are an integral part of this statement.

# CITY OF LAKE CHARLES, LOUISIANA

## Balance Sheet Governmental Funds September 30, 2012

	General	Riverboat Gaming Special Revenue
<b>ASSETS</b>		
Cash (Note 4-A)	\$ 8,872,886	\$ 1,922,568
Investments (Note 4-A)	12,784,524	566,022
Receivable (net of allowance for uncollectable)		
Accounts (Note 4-B)	5,200,794	1,112,191
Special Assessments	-	-
Accrued interest	17,854	-
Intergovernmental (Note 4-B)	81,329	-
Due from other funds (Note 4-F)	923,793	558,344
Inventory	314,644	-
Prepaid items	228,747	-
Total assets	<u>\$ 28,424,571</u>	<u>\$ 4,159,125</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,916,850	\$ -
Contracts payable	-	-
Escrow	358,159	-
Due to other funds	781,623	100,000
Deferred revenues	-	-
Other liabilities	10,975	-
Total liabilities	<u>3,067,607</u>	<u>100,000</u>
<b>FUND BALANCES</b>		
Nonspendable	543,389	
Restricted	-	-
Committed	2,567,929	1,011,504
Assigned	-	3,047,621
Unassigned	22,245,646	-
Total fund balances	<u>25,356,964</u>	<u>4,059,125</u>
Total liabilities and fund balances	<u>\$ 28,424,571</u>	<u>\$ 4,159,125</u>

The notes to the financial statements are an integral part of this statement.

Wastewater Special Revenue	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
\$ 3,936,002	\$ 3,907,514	\$ 15,255,574	\$ 3,786,784	\$ 37,681,328
2,601,461	952,081	55,825,428	3,181,994	75,911,510
1,396,752	-	479,343	218,072	8,407,152
-	540,329	196,865	-	737,194
812	603	99,580	2,520	121,369
-	-	1,313,825	820,914	2,216,068
-	24,177	-	252,840	1,759,154
-	-	-	-	314,644
36,666	2,000	-	12,957	280,370
<u>\$ 7,971,693</u>	<u>\$ 5,426,704</u>	<u>\$ 73,170,615</u>	<u>\$ 8,276,081</u>	<u>\$ 127,428,789</u>
\$ 188,801	\$ 77,414	\$ 1,139,467	\$ 331,394	\$ 3,653,926
-	-	1,398,692	-	1,398,692
-	21,765	-	30,442	410,366
238,421	-	-	252,787	1,372,831
-	432,263	-	42,000	474,263
-	-	-	-	10,975
<u>427,222</u>	<u>531,442</u>	<u>2,538,159</u>	<u>656,623</u>	<u>7,321,053</u>
36,666	2,000	-	12,957	595,012
-	3,265,847	28,465,884	-	31,731,731
7,507,805	103,252	41,916,108	395,554	53,502,152
-	1,524,163	250,464	7,210,947	12,033,195
-	-	-	-	22,245,646
<u>7,544,471</u>	<u>4,895,262</u>	<u>70,632,456</u>	<u>7,619,458</u>	<u>120,107,736</u>
<u>\$ 7,971,693</u>	<u>\$ 5,426,704</u>	<u>\$ 73,170,615</u>	<u>\$ 8,276,081</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	299,878,030
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.	474,263
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	9,603,213
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.	(97,915,973)
Net assets of governmental activities	<u>\$ 332,147,269</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For Fiscal Year Ended September 30, 2012**

	<u>General</u>	<u>Riverboat Gaming Special Revenue</u>
<b>Revenues:</b>		
Taxes	\$ 44,280,934	\$ 9,713,282
Licenses and permits	5,526,807	-
Intergovernmental	2,335,189	-
Charges for services	2,426,917	-
Fines and forfeitures	311,388	-
Miscellaneous	1,274,544	11,423
Total revenues	<u>56,155,779</u>	<u>9,724,705</u>
<b>Expenditures:</b>		
Current operating:		
General government	2,876,353	-
Finance	1,498,360	-
Human Resources	312,168	-
Fire	13,293,542	-
Police	16,636,871	-
Public works	12,941,624	-
Planning and development	1,850,969	-
Community services	-	-
General services	4,070,563	-
Capital projects	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	<u>53,480,450</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,675,329</u>	<u>9,724,705</u>
<b>Other financing sources (uses):</b>		
Transfers in	1,625,294	-
Transfers out	(4,258,522)	(8,694,714)
Issuance of debt	-	-
Total other financing sources (uses)	<u>(2,633,228)</u>	<u>(8,694,714)</u>
Net change in fund balances	42,101	1,029,991
Fund balance at beginning of year	<u>25,314,863</u>	<u>3,029,134</u>
Fund balance at end of year	<u>\$ 25,356,964</u>	<u>\$ 4,059,125</u>

The notes to the financial statements are an integral part of this statement.

Wastewater Special Revenue	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
\$ 3,190,468	\$ -	\$ 5,583,319	\$ 2,440,407	\$ 65,208,410
-	-	-	-	5,526,807
-	212,631	2,757,817	2,958,886	8,264,523
11,092,922	-	-	160,614	13,680,453
-	-	-	-	311,388
36,176	(2,052)	588,550	442,604	2,351,245
<u>14,319,566</u>	<u>210,579</u>	<u>8,929,686</u>	<u>6,002,511</u>	<u>95,342,826</u>
-	-	-	-	2,876,353
-	-	-	-	1,498,360
-	-	-	-	312,168
-	-	-	-	13,293,542
-	-	-	471,474	17,108,345
7,383,578	-	-	858,762	21,183,964
-	-	-	934,490	2,785,459
-	-	-	4,913,007	4,913,007
-	-	-	56,511	4,127,074
193,315	-	27,056,077	-	27,249,392
-	5,836,224	-	-	5,836,224
-	3,754,865	493,062	-	4,247,927
<u>7,576,893</u>	<u>9,591,089</u>	<u>27,549,139</u>	<u>7,234,244</u>	<u>105,431,815</u>
<u>6,742,673</u>	<u>(9,380,510)</u>	<u>(18,619,453)</u>	<u>(1,231,733)</u>	<u>(10,088,989)</u>
-	9,325,514	7,025,000	1,575,368	19,551,176
(6,849,575)	-	(2,642,495)	(470,294)	(22,915,600)
-	-	4,222,067	-	4,222,067
<u>(6,849,575)</u>	<u>9,325,514</u>	<u>8,604,572</u>	<u>1,105,074</u>	<u>857,643</u>
(106,902)	(54,996)	(10,014,881)	(126,659)	(9,231,346)
<u>7,651,373</u>	<u>4,950,258</u>	<u>80,647,337</u>	<u>7,746,117</u>	<u>129,339,082</u>
<u>\$ 7,544,471</u>	<u>\$ 4,895,262</u>	<u>\$ 70,632,456</u>	<u>\$ 7,619,458</u>	<u>\$ 120,107,736</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For Fiscal Year Ended September 30, 2012**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (9,231,346)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	19,089,382
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	41,881
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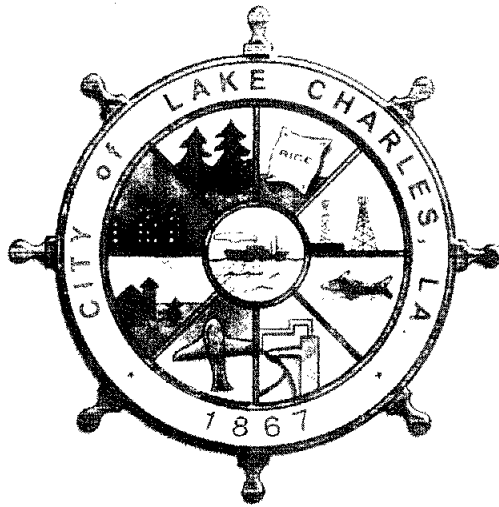
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,386,447
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Internal service funds are used by management to charge the costs of insurance to individual funds. The net expenses of certain activities of internal service funds is reported within the governmental activities.	<u>436,025</u>
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Change in net assets of governmental activities	<u><u>\$ 11,722,389</u></u>
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The notes to the financial statements are an integral part of this statement.

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# CITY OF LAKE CHARLES, LOUISIANA

## Statement of Net Assets

### Proprietary Funds

September 30, 2012

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Funds
	Civic Center	Golf Course	Public Transit	Water Utility	Totals 2012	
<b>ASSETS</b>						
Current assets:						
Cash	\$ 706,285	\$ 101,070	\$ -	\$ 3,090,225	\$ 3,897,580	\$ 6,921,490
Investments	70,102	-	39,347	6,168,206	6,277,655	6,599,348
Restricted cash:						
Customer deposits	-	-	-	1,108,789	1,108,789	-
Accounts receivable (net of allowance for uncollectible)	46,581	-	-	748,415	794,996	656,302
Accrued interest receivable	-	-	-	6,604	6,604	4,982
Intergovernmental receivables	7,876	-	861,793	62,783	932,452	-
Due from other funds	29,607	-	100,000	-	129,607	-
Inventories	25,938	45,538	-	198,446	269,922	-
Prepaid items	4,021	1,186	548	72,721	78,476	896,276
Total current assets	<u>890,410</u>	<u>147,794</u>	<u>1,001,688</u>	<u>11,456,189</u>	<u>13,496,081</u>	<u>15,078,398</u>
Capital assets:						
Land	-	1,065,697	806,824	231,985	2,104,506	-
Buses	-	-	2,674,538	-	2,674,538	-
Buildings and structures	18,768,595	2,123,406	95,935	459,284	21,447,220	-
Improvements	14,599,431	2,576,547	-	71,617,315	88,793,293	-
Construction in Progress	786,860	11,190	4,070,533	492,146	5,360,729	-
Equipment, furniture and fixtures	2,743,259	341,209	149,472	1,885,139	5,119,079	30,164
Total capital assets	<u>36,898,145</u>	<u>6,118,049</u>	<u>7,797,302</u>	<u>74,685,869</u>	<u>125,499,365</u>	<u>30,164</u>
Less accumulated depreciation	<u>26,735,664</u>	<u>1,462,451</u>	<u>1,110,533</u>	<u>27,231,932</u>	<u>56,540,580</u>	<u>24,945</u>
Total capital assets (net of accumulated depreciation)	<u>10,162,481</u>	<u>4,655,598</u>	<u>6,686,769</u>	<u>47,453,937</u>	<u>68,958,785</u>	<u>5,219</u>
Total assets	<u>11,052,891</u>	<u>4,803,392</u>	<u>7,688,457</u>	<u>58,910,126</u>	<u>82,454,866</u>	<u>15,083,617</u>

	<b>Business-type Activities-Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Civic Center</b>	<b>Golf Course</b>	<b>Public Transit</b>	<b>Water Utility</b>	<b>Totals 2012</b>	
<b>LIABILITIES</b>						
Current liabilities :						
Accounts payable	137,596	31,111	249,814	280,425	698,946	48,421
Contracts payable	30,025	-	177,957	5,023	213,005	-
Customer deposits payable	-	-	-	1,108,548	1,108,548	-
Escrow	17,377	14,623	-	-	32,000	-
Due to other funds	-	61,815	104,641	349,309	515,765	165
Total current liabilities	<u>184,998</u>	<u>107,549</u>	<u>532,412</u>	<u>1,743,305</u>	<u>2,568,264</u>	<u>48,586</u>
Non-current liabilities:						
Compensated absences	137,884	56,922	59,020	302,367	556,193	76,325
OPEB liability	30,838	30,835	25,225	111,539	198,437	18,483
Accrued insurance claims	-	-	-	-	-	5,664,527
Incurred-not reported claims	-	-	-	-	-	325,000
Accrued insurance claims-noncurrent	-	-	-	-	-	1,611,271
Total non-current liabilities	<u>168,722</u>	<u>87,757</u>	<u>84,245</u>	<u>413,906</u>	<u>754,630</u>	<u>7,695,606</u>
Total liabilities	<u>353,720</u>	<u>195,306</u>	<u>616,657</u>	<u>2,157,211</u>	<u>3,322,894</u>	<u>7,744,192</u>
<b>NET ASSETS</b>						
Invested in capital assets	10,162,481	4,655,598	6,686,769	47,453,937	68,958,785	5,219
Unrestricted	536,689	(47,512)	385,031	9,298,979	10,173,187	7,334,206
Total net assets	<u>\$10,699,170</u>	<u>\$4,608,086</u>	<u>\$ 7,071,800</u>	<u>\$ 56,752,916</u>	<u>79,131,972</u>	<u>\$ 7,339,425</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(2,263,788)	
Change in net assets of business-type activities					<u>\$76,868,184</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE CHARLES, LOUISIANA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended September 30, 2012**

	<u>Business-type</u>	
	<u>Civic Center</u>	<u>Golf Course</u>
Operating revenues:		
Charges for services	\$ 974,314	\$ 855,788
Other	736	796
Total operating revenues	<u>975,050</u>	<u>856,584</u>
Operating expenses:		
Personal services	1,191,575	640,006
Materials and supplies	236,989	443,558
Maintenance	207,910	26,082
Heat, light and power	342,756	51,289
Transportation	-	-
General and administration	201,734	116,351
Claims and losses paid	-	-
Depreciation	1,188,072	217,335
Total operating expenses	<u>3,369,036</u>	<u>1,494,621</u>
Operating income (loss)	<u>(2,393,986)</u>	<u>(638,037)</u>
Nonoperating revenues (expenses):		
Operating grants-governmental agencies	200,000	-
Interest	2,493	64
Gain (loss) on retirement or transfer of capital assets	-	(12,192)
Total nonoperating revenues	<u>202,493</u>	<u>(12,128)</u>
Income (loss) before operating transfers	<u>(2,191,493)</u>	<u>(650,165)</u>
Capital contributions and transfers:		
Capital contributions - governmental agencies	-	-
Capital contributions - governmental funds	-	223,000
Transfers in (out)	1,018,046	432,829
Total capital contributions and transfers	<u>1,018,046</u>	<u>655,829</u>
Change in net assets	<u>(1,173,447)</u>	<u>5,664</u>
Net assets at beginning of year	11,872,617	4,602,422
Net assets at end of year	<u>\$ 10,699,170</u>	<u>\$ 4,608,086</u>

The notes to the financial statements are an integral part of this statement.

Activities-Enterprise Funds			Governmental
Public Transit	Water Utility	Totals 2012	Activities - Internal Service Funds
\$ 103,872	\$ 10,104,341	\$ 12,038,315	\$ 13,224,329
532	550,555	552,619	167,254
104,404	10,654,896	12,590,934	13,391,583
793,956	2,667,530	5,293,067	527,201
24,328	1,571,103	2,275,978	8,087
131,924	570,529	936,445	-
13,887	688,658	1,096,590	-
268,137	-	268,137	-
839,188	1,933,480	3,090,753	2,936,057
-	-	-	9,266,379
264,752	1,600,042	3,270,201	2,723
2,336,172	9,031,342	16,231,171	12,740,447
(2,231,768)	1,623,554	(3,640,237)	651,136
1,222,853	-	1,422,853	-
732	32,406	35,695	85,804
11,192	(10,676)	(11,676)	-
1,234,777	21,730	1,446,872	85,804
(996,991)	1,645,284	(2,193,365)	736,940
3,184,780	-	3,184,780	-
100,000	1,042,580	1,365,580	-
729,335	-	2,180,210	(181,366)
4,014,115	1,042,580	6,730,570	(181,366)
3,017,124	2,687,864	4,537,205	555,574
4,054,676	54,065,052		6,783,851
\$ 7,071,800	\$ 56,752,916		\$ 7,339,425
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds		119,549	
Change in net assets of business-type activities		\$ 4,656,754	

# CITY OF LAKE CHARLES, LOUISIANA

## Statement of Cash Flows

### Proprietary Funds

Fiscal Year Ended September 30, 2012

	<u>Civic Center</u>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 967,377
Payments to employees	(1,186,085)
Payments to suppliers	(886,119)
Internal activity - payments to other funds	167,935
Net cash provided by operating activities	<u>(936,892)</u>
<b>Cash flow from noncapital financing activities:</b>	
Operating subsidies	1,018,046
Shared revenue from governmental agencies	200,000
Net cash provided by noncapital financing activities	<u>1,218,046</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchases/sale of capital assets	(810,927)
Contracts payable	-
Capital subsidies from governmental agencies	-
Capital transfers	-
Net cash provided (used for) capital and related financing activities	<u>(810,927)</u>
<b>Cash flow from investing activities:</b>	
Purchase of investment securities	(101)
Proceeds from sale and maturities of investment securities	-
Interest on investments	2,492
Net cash provided (used for) investing activities	<u>2,391</u>
Net increase (decrease) in cash and cash equivalents	(527,382)
Cash and cash equivalents at beginning of year	1,233,667
Cash and cash equivalents at end of year	<u>\$ 706,285</u>
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	<u>\$ (2,393,986)</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	1,188,072
(Increase) decrease in accounts receivable	(7,673)
(Increase) decrease in due from other funds	167,935
(Increase) decrease in inventories	1,569
(Increase) decrease in prepaid items	191
Increase (Decrease) in accounts payables	95,399
Increase (Decrease) in miscellaneous payables	1,069
Increase (Decrease) in customer deposit account	-
Increase (Decrease) in compensated absences payable	1,211
Increase (Decrease) in OPEB liability	9,321
Increase (Decrease) in due to other funds	-
Total adjustments	<u>1,457,094</u>
Net cash provided (used) by operating activities	<u>\$ (936,892)</u>

#### Noncash investing and capital activities:

Assets retired cost \$1,104,339 and had accumulated depreciation of \$1,078,618. loss of \$25,721.  
 Capital assets expenditures of \$542,580 were paid from governmental funds and are recorded as a capital contribution on the statement of activity in the proprietary funds.  
 Developer/governmental agencies donated capital assets of \$790,000.  
 Change in the fair value of investments resulted in an unrealized gain of \$34,035 at year end 2012 and an unrealized gain of \$9,792 at year end 2011. 40

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
Golf Course	Transit	Water Utility	Totals 2012	
\$ 856,634	\$ 104,404	\$ 10,722,735	\$ 12,651,150	\$ 13,026,242
(627,730)	(779,065)	(2,651,668)	(5,244,548)	(472,743)
(659,667)	(878,692)	(4,763,707)	(7,188,185)	(12,414,017)
115,092	(76,992)	336,419	542,454	513,828
(315,671)	(1,630,345)	3,643,779	760,871	653,310
432,829	729,335	-	2,180,210	(181,366)
-	1,086,758	-	1,286,758	-
432,829	1,816,093	-	3,466,968	(181,366)
(239,152)	(3,646,522)	(302,981)	(4,999,582)	-
-	-	(71,571)	(71,571)	-
-	2,993,961	-	2,993,961	-
223,000	100,000	500,000	823,000	-
(16,152)	(552,561)	125,448	(1,254,192)	-
-	(57)	(8,120,520)	(8,120,678)	(8,927,539)
-	-	5,959,792	5,959,792	10,516,475
64	732	44,095	47,383	90,217
64	675	(2,116,633)	(2,113,503)	1,679,153
101,070	(366,138)	1,652,594	860,144	2,151,097
-	366,138	2,546,420	4,146,225	4,770,393
\$ 101,070	\$ -	\$ 4,199,014	\$ 5,006,369	\$ 6,921,490
\$ (638,037)	\$ (2,231,768)	\$ 1,623,554	\$ (3,640,237)	\$ 651,136
217,335	264,752	1,600,042	3,270,201	2,723
50	-	(16,308)	(23,931)	(365,341)
53,278	(100,000)	-	121,213	514,176
2,470	-	100,456	104,495	-
(1,186)	(298)	(65,752)	(67,045)	(58,000)
(34,385)	399,074	(54,116)	405,972	660
9,359	-	5,023	15,451	(101,907)
-	-	84,148	84,148	-
4,707	8,286	5,223	19,427	7,827
8,924	6,601	25,090	49,936	2,384
61,814	23,008	336,419	421,241	(348)
322,366	601,423	2,020,225	4,401,108	2,174
\$ (315,671)	\$ (1,630,345)	\$ 3,643,779	\$ 760,871	\$ 653,310

## NOTES TO FINANCIAL STATEMENTS

### CITY OF LAKE CHARLES, LOUISIANA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2012

#### 1. Summary of Significant Accounting Policies

##### A. Reporting Entity

The City of Lake Charles, Louisiana (the City) was incorporated in 1867, and operates under a home rule charter, which became effective in 1961. The City utilizes the Mayor-Council form of government and provides a full range of municipal services under a centralized system of administration.

The accounting and financial reporting policies of the City conform to generally accepted accounting principles as applicable to governments. Such policies also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audit of State and Local Governmental Units. Following is a summary of the more significant accounting policies.

The accompanying financial statements include all funds, which are directly controlled by the City, and which constitute the primary government as defined for financial reporting purposes. In accordance with generally accepted accounting principles, this report also includes component units, which are legally separate from the City but considered to be fiscally dependent on the primary government. Component units are discretely presented in this report, are reported for periods and balance sheet dates which differ from the City's, and have been separately audited. Further disclosures concerning such units are provided below.

##### Discretely Presented Component Units

Financial data of component units is displayed on the Statement of Net Assets and Statement of Activities. The reported component units are as follows:

##### City Court of Lake Charles:

This entity is created by state statutes, which provide for its governance by independently elected officials and has a jurisdictional area extending beyond the corporate limits of the City. Although legally separate, City Court is fiscally dependent upon the government because of the statutory requirements that the City provide and maintain the physical facilities necessary for its operation. The relationship between the City and City Court is such that exclusion would cause the City's financial statements to be incomplete. Financial data reported for the City Court component unit is from its separately audited financial statements for the fiscal year ended December 31, 2011.

##### Ward Three Marshal:

The office of Ward Three Marshal, which is governed by an independently elected official, is created in the same statutory manner as City Court and has a corresponding area of jurisdiction. Although legally separate, the office of Ward Three Marshal is fiscally dependent upon the government because of the statutory requirements that the City provide and maintain the physical facilities necessary for its operation. The relationship between the Marshal and the City is such that exclusion would cause the City's financial statements to be incomplete. Financial data reported for this component unit are from its separately audited financial report for the year ended December 31, 2011. Complete financial statements of the individual component units are available from the City of Lake Charles at 326 Pujoe Street, Lake Charles, Louisiana 70601.

## NOTES TO FINANCIAL STATEMENTS

### **B. Government-wide and Fund Financial Statement**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and the intergovernmental revenues, are reported separately from business-type activities, which rely primarily on charges for services for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual so they have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City of Lake Charles reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

Riverboat Gaming Special Revenue Fund – This fund accounts for receipt and subsequent expenditure or transfer of revenue from casino riverboat admissions taxes.

## NOTES TO FINANCIAL STATEMENTS

Wastewater Fund – This fund accounts for the receipt and subsequent expenditure of dedicated sales taxes, sewer use charges, and other current charges dedicated to operations, maintenance and improvement of the City's sanitary sewerage system.

Debt Service Fund – This fund is used to account for the accumulation of resources and the payments made for principal, interest, and related costs on long-term debt obligations of governmental funds. The primary source of revenue is transfers in from other funds as mandated by law or City policy.

Capital Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds.) Revenues include 28 percent of one percent sales tax dedicated to capital improvements and various intergovernmental revenues.

The City of Lake Charles reports the following proprietary funds:

Civic Center – This fund accounts for the activities of the Lake Charles Civic Center.

Golf Course – This fund accounts for the activities of Mallard Cove Golf Course.

Transit Fund – This fund accounts for the operation of the City's transit system.

Water Fund – This fund accounts for the operation of the City's water system.

The City of Lake Charles reports the following additional fund types:

Internal Service Funds - Internal Service Funds are used to account for the insurance needs provided to other departments of the City, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and are reported as program revenues.

Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as nonoperating revenues and expenses.

## NOTES TO FINANCIAL STATEMENTS

### **D. Assets, Liabilities and Net Assets or Equity**

#### **1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment program is authorized and limited by state statute and city ordinances to purchases of securities issued or guaranteed by the U.S. Government and its agencies or instrumentalities and participation in the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool equivalent to a money market fund. LAMP invests in short-term instruments permitted by statute. The City also invests in Certificate of Deposit Account Registry Service (CDARS) which is an investment vehicle providing full FDIC insurance for the purchase of certificates of deposit.

Investments for the government, its component units and for LAMP are reported at fair value.

#### **2. Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables, including those for grass cutting and demolition assessments in the governmental funds and water and sewer charges in the enterprise funds, are shown net of an allowance for uncollectables. The allowance for estimated uncollectible receivables is established based on historical collection experience and other relevant circumstances.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water and sewer user fees in the Wastewater Special Revenue Fund and the Water Utility Enterprise Fund. The City's ability to collect the amounts due from the users of the City water and sewer system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

The City property taxes must be levied by December 1 of each year. Property taxes are due by December 31 and are delinquent by January 1. Delinquent property taxes are assessed interest at one and one-quarter percent per month for the period of delinquency. Property owners with taxes still delinquent by March 1st are notified by certified mail that they have twenty days to pay delinquent property taxes. The lien date is the date in which the tax assessor files the tax roll with the Clerk of Court, which is the same as the levy date. Sale of delinquent properties is held each year as soon as possible after May 1. Most taxes are collected in December, January and February.

#### **3. Inventories and Prepaid Items**

Inventory is valued at average cost. Inventory in the General Fund consists of materials and supplies held for consumption and are accounted for under the consumption method where expenditures are recorded when the goods are used. Inventories are also held in the enterprise funds. These consist of concession supplies held for sale to the public and materials held for water system maintenance and improvements. Certain payments made to vendors reflect costs for services that will benefit subsequent periods are recorded as prepaid items in both governmental-wide and fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

### 4. Restricted assets

Customer deposits in the Water Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited to repayment of deposits to qualified customers or upon termination of service.

### 5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Historically, capital assets constructed during the past 30 years had been financed on a pay-as-go basis. However, the City incurred debt in 2003 for the construction of a new sewer treatment facility and issued bonds in 2007 and 2010 to fund capital improvements, such as roads, water, sewer, recreation and downtown development activities. Debt was also incurred during the past fiscal year for improvements to the City's sewer plants.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Improvements other than buildings	20
Public Domain infrastructure	10 - 50
System infrastructure	10 - 50
Machinery and equipment	7

### 6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. There was not any amount recorded in the governmental fund statements as a payable to employees who had terminated as of the end of the fiscal year on September 30, 2012.

Vacation is based on the number of years of service and is earned as follows:

First four years	10 days
Five to nine years	15 days
Ten to nineteen years	20 days
Nineteen years and over	25 days

Sick pay is based on the number of years of service and is carried as follows:

First three years	8 hours per month
Four years and over	12 hours per month

## NOTES TO FINANCIAL STATEMENTS

Sick pay is not vested except at retirement, where accumulated sick pay hours up to six hundred (600) are payable to non-civil service retirees. The termination payment liability was calculated by developing a ratio based on historical data of sick leave paid at termination compared with sick leave accumulated and by applying that ratio to the sick leave accumulated by the current employee population as of September 30, 2012. Because there was no current liability at the end of the fiscal year, all estimated termination payment liability is recorded in the government-wide and proprietary fund financial statements.

City employees may receive compensatory time off with pay in lieu of overtime pay for work in excess of regular scheduled hours. Accumulation of unused compensatory time is limited, and any unused or unpaid portion is payable upon separation from employment. Compensatory time is accrued when incurred in the government-wide and proprietary funds financial statements. There was no current portion of compensatory time recorded in the governmental fund statement at September 30, 2012.

At September 30, 2012 the total liability reported on the Statement of Net Assets for accrued vacation, sick and compensatory time was \$3,227,283 for Governmental Activities, which includes \$76,325 from the Internal Service Funds. The amount recorded in Business-Type Activities equaled \$556,193.

### 7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize principal payments during the current period. The face amount of debt issued is reported as other financing sources.

### 8. Fund equity

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City of Lake Charles classifies governmental fund balances as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in a spendable form or because of legal or contractual constraints.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained or due to constitutional provisions or enabling legislation. Any deviation from the specific purpose must be approved by the original third party whether that is the electorate or grantor.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the City Council) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by action of the Mayor or the City Council and generally only exist temporarily. Additional action is necessary to remove or revise the limitation.

Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and when applicable, negative fund balances in other governmental funds.

## NOTES TO FINANCIAL STATEMENTS

All of these items are included as elements of net assets on the government-wide statement.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balances are available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

It is the City's policy to maintain a minimum fund balance of 30 percent of operating expenditures and operating transfers in the General Fund.

### 2. Reconciliation of Government-wide Financial Statements

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains “long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$97,915,973 difference are as follows:

2007 LCDA Bonds payable	\$28,370,000
Premium on 2007 LCDA Bonds payable (to be amortized over the life of the debt)	808,565
2009 Revenue Refunding Bonds payable	13,610,000
Premium on 2009 Refunding Bonds payable (to be amortized over the life of the debt)	352,828
2010 LCDA Bonds payable	35,960,000
Premium on 2010 LCDA Bonds payable (to be amortized over the life of the debt)	1,470,503
Pension refunding bonds	1,930,000
Cooperative endeavor-Sales Tax Dist. No.3	2,714,492
Compensated absences	3,150,958
Other post employee benefits (OPEB) payable	1,425,676
Police benefits guarantee	77,683
LC City Court building project	2,905,000
DEQ loan – sewer plant rehabilitation	<u>5,140,268</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets -governmental activities	<u>\$ 97,915,973</u>

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$19,089,382 are as follows:

Capital outlays	\$30,898,432
Depreciation expense	(11,796,866)
Loss on retirement of capital assets	<u>( 12,184)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$19,089,382</u>

## NOTES TO FINANCIAL STATEMENTS

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however has any effect on net assets." The details of this \$1,386,447 are as follows:

Principal repayment:	
Pension refunding bonds	\$ 1,075,000
2007 LCDA public improvement bonds	1,325,000
2009 Revenue refunding bonds	1,295,000
2010 LCDA public improvement bonds	1,745,000
Police benefit guarantees	20,385
Compensated absences	(144,602)
OPEB liabilities	(346,863)
Cooperative endeavor-Sales Tax Dist. No. 3	350,000
Proceeds from premium on 2007 LCDA public improvement bonds (to be amortized as interest over life of debt)	55,129
Proceeds from premium on 2009 Revenue refunding bonds (to be amortized as interest over life of debt)	39,203
Proceeds from premium on 2010 Revenue refunding bonds (to be amortized as interest over life of debt)	100,262
Lake Charles City Court building loan	95,000
DEQ loan – sewer plant improvements	<u>(4,222,067)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,386,447</u>

### C. Explanation of certain differences between the proprietary fund statement of net assets and the governmental-wide statement of net assets:

The proprietary fund statements of net assets include reconciliation between net assets – total enterprise funds and net assets of business-type activities as reported in the governmental-wide statements of net assets. The description of the sole element of that reconciliation is "adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$(2,263,788) are as follows:

Internal payable representing costs in excess of charges to the business-type activities – prior year	\$( 2,383,337)
Internal payable representing costs in excess of charges to the business-type activities – current year	<u>119,549</u>
Net adjustment to decrease net assets – enterprise funds to arrive at net assets – business-type activities	<u>\$(2,263,788)</u>

## 3. Stewardship, Compliance, and Accountability

### A. Budgetary information

The City annually adopts and implements an operating and capital budget in accordance with requirements of the City Charter and applicable state law for the General Fund and all Special Revenue and Proprietary Funds. The Capital Projects Fund's budget is a project based capital budget. Policies and procedures with respect to budget adoption and budgetary control are as follows:

1. The Mayor submits the proposed operating budget for the fiscal year commencing October 1 to the City Council no later than August 15. This budget includes proposed expenditures and the means of financing them.

## NOTES TO FINANCIAL STATEMENTS

2. A summary of the proposed budget and notices of public hearing are published in accordance with statutory requirements.
3. The proposed budget is subject to one or more public hearings before the City Council prior to adoption by ordinance, which must occur no later than September 15. The City Charter requires a two-thirds vote of the City Council to amend the proposed budget submitted by the Mayor.
4. Expenditures are legally restricted to budgetary appropriations at the department level within the General Fund and at the fund level for Special Revenue Funds, which are not departmentalized. Revisions, which alter the total expenditures of any such department or fund, must be approved by budget amendment ordinance adopted by the City Council at the request of the Mayor. Transfers of budgeted amounts between expenditure objects or programs within the same department and fund are authorized to be made administratively by the Director of Finance.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the Capital Projects Fund, which is budgeted on a project basis. Formal budgetary integration is not employed in the Debt Service Funds because effective budgetary control is alternatively achieved through the respective bond indentures and provisions.
6. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Comparisons of budgeted and actual results of operation are presented for the General Fund and Special Revenue Funds in the accompanying financial statements. The Capital Projects Fund is not included in this budget, and actual comparison, as the capital budget which encompasses that fund, is presented on the basis of cumulative as opposed to annual budget amounts.
7. All budgetary appropriations except capital project budgets lapse at the end of each fiscal year.
8. Budgeted amounts are as originally adopted or as amended by the City Council. The originally adopted General Fund budget was \$60,792,287. Amendments in the amount of \$(980,000) resulted in the final General Fund budget of \$59,812,287 as presented in the accompanying Required Supplemental Information. Total revenue forecast remained the same, but the amendment represented a shift between categories. Expenditures in the Fire Department were reduced due to vacant positions. Reductions in the Public Works Department were due to vacant positions and deferral of capital acquisitions. The Police Department's budget was increased to cover additional overtime costs and various other expenses.

The originally adopted amount of all Special Revenue Funds was \$32,264,023. Amendments in the amount of \$46,419 resulted in the final total Special Revenue Fund budget of \$32,310,442. An annual amendment is necessary in response to grant awards compared to actual expenditures within the fiscal year.

### **B. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

In accordance with generally accepted accounting principles, outstanding encumbrances at year end for which goods or services have been received are reclassified to expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year end and are either canceled or are included as reappropriations of fund balance for the subsequent year. Encumbrances at year end in funds that are budgeted on a project basis, including Enterprise Fund construction projects, are carried forward along with their related appropriations and are not subject to an annual cancellation and reappropriation.

## NOTES TO FINANCIAL STATEMENTS

Such balances are classified as committed fund balance in the Capital Project Fund. Significant encumbrances are included in the "construction commitments" section of the capital asset note disclosure.

### C. Excess of Expenditures Over Appropriations and Deficit Fund Equity

The Facility Renewal Special Revenue Fund transfers of \$470,294 exceeded appropriations of \$455,800. The Disaster Recovery Special Revenue Fund expenses of \$868,847 exceeded the budget amount by \$20,932. Both unfavorable variances were less than five percent of total expenditures so additional amendment to the budget was not necessary. There was no deficit fund equity in any fund at fiscal year ended September 30, 2012.

### D. Unfavorable Revenue Variance

The intergovernmental revenue of the Grant Special Revenue Fund was \$1,116,883 which was \$6,910 less than the \$1,123,793 budgeted amount. This unfavorable variance is attributable to variances in grant program revenues, which are budgeted on the basis of grant awards but actual revenues received are equal to annual expenditure reimbursements in that fund.

## 4. Detailed Notes on All Funds

### A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet within "cash and investments" or "restricted cash and investments" where applicable. Legal and contractual provisions with respect to deposits and investments are substantially the same for all funds and fund types.

Demand deposits of the City are maintained under a banking agreement in which account balances are collateralized entirely by U.S. Treasury and government agency securities held by a Federal Reserve Bank in the City's name. The bank balance of such deposits at September 30, 2012 was \$43,096,147 (carrying amount \$40,039,131).

The total includes restricted cash in the amount of \$1,108,789 from customer deposits in the Water Utility Enterprise Fund. The amounts do not include petty cash of \$24,000 or \$9,412,433 that is on deposit with a third party for bond reserves and the administration of the City's insurance claims. It also does not include a cash overdraft of \$17,144 reported as accounts payable in the Community Development Special Revenue Fund and \$117,480 cash overdraft in the Transit Enterprise Fund, both of which are reported as accounts payable in those funds.

The carrying amounts of cash deposits for component units at their respective balance sheet dates were \$1,648,236 for City Court and \$616,494 for the Ward Three Marshal. These amounts were fully covered by federal deposit insurance or were collateralized entirely by U.S. Treasury and government agency securities held by a Federal Reserve Bank in the entity's name.

#### Investments

As of September 30, 2012 the City had the following investments and maturities:

Investment type	Maturity	Fair Value
U.S. agencies callable	Less than 1 year	\$12,097,211
U.S. agencies callable	1 – 5 year	65,463,160
Louisiana Asset Management Pool		<u>11,228,142</u>
		<u>\$88,788,513</u>

## NOTES TO FINANCIAL STATEMENTS

### Credit Risk – Investments

The City's investment program is authorized and limited by state statute and city policy to purchases of securities issued or guaranteed by the U.S. Government and its agencies or instrumentalities and participation in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit local government money-market type (2a-7-like) investment pool sponsored by the State of Louisiana. This pool is rated AAA by Standard & Poor's. Security investments are carried at fair value; investment in LAMP is carried at cost, which approximates market. With the exception of LAMP, all of the City's investments are held in the City's name by its custodial bank. The City's investment policy does not specifically limit investment maturities, except for a general requirement that funds used for operation be invested within a three-year final maturity range. This policy assumes that callable investments will not be called. The City's investment policy states that financial or credit risk, as distinguished from market risk, is not acceptable for any investment in either short or long term investment categories.

The City does not directly invest in commercial paper, which are permitted by state statute. However, such investments are made by LAMP, subject to concentration and maturity limitations of its investments policy.

Investments as of September 30, 2012 were concentrated with the following issuers:

<u>Issuer</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$13,611,479
Federal Home Loan Mortgage Corporation	15,753,582
Federal National Mortgage Association	34,998,653
Federal Farm Credit Bank	13,195,356

The City's investments in U.S. Agency Securities were primarily rated "AAA" by Standard and Poor's and Fitch Ratings and "Aaa" by Moody's Investors Services. The City's investment policy does not specifically limit concentration with individual issuers. The policy states that financial or credit risk, as distinguished from market risk, is not acceptable for any investment in either short or long term investment categories.

### Interest Rate Risk – Investments

The City's policy on investments places primary order of emphasis on 1) the safety of principal; 2) the liquidity of the investment, in order to enable the City to meet reasonably expected operating and capital funding requirements; and 3) the yield or return on investment.

### Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the investment. Investments are exposed to custodial credit risk if the securities are (a) uninsured and unregistered and held by the counterparty; or (b) uninsured, unregistered and held by the counterparty's trust department or agent but not in the name of the City.

According to the City's investment policy for investment purchases, the fiscal agent bank merely executes the necessary wire-transfer services to support the City's investment transactions and is therefore not a counterpart to the investment transactions. As such, these investments are not subject to custodial credit risk since the fiscal agent bank is not a party to the original investment purchases and is only holding the book-entry securities in a securities safekeeping account in the name of the City of Lake Charles.

# NOTES TO FINANCIAL STATEMENTS

## B. Receivables

Receivables as of year end for the City of Lake Charles's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectable accounts are as follows:

Governmental-type Activities	General	Riverboat Gaming	Wastewater	Debt Service
Receivables:				
Accounts	\$1,354,962	\$ 0	\$1,632,527	\$ 0
Taxes	2,820,459	1,112,191	259,625	0
Property standards & special assessment	2,045,125	0	0	1,080,659
Interest	17,854	0	812	603
Intergovernmental	81,329	0		0
Gross receivables	6,319,729	1,112,191	1,892,964	1,081,262
Less: allowance for uncollectable	(1,019,752)	0	(495,400)	(540,330)
Net total receivables	\$5,299,977	\$1,112,191	\$1,397,564	\$540,932

Governmental-type Activities (continued)	Capital Projects	Non-major Funds	Internal Service	Total Governmental Activities
Receivables:				
Accounts	\$ 25,000	\$ 88,260	\$656,302	\$ 3,757,051
Taxes	454,343	129,812	0	4,776,430
Property standards & special assessment	196,865	0	0	3,322,649
Interest	99,580	2,520	4,982	126,351
Intergovernmental	1,313,825	1,838,204	0	3,233,358
Gross receivables	2,089,613	2,058,796	661,284	15,215,839
Less: allowance for uncollectable	0	(1,017,290)	0	(3,072,772)
Net total receivables	\$2,089,613	\$1,041,506	\$661,284	\$12,143,067

Receivables as of year end for the City of Lake Charles's individual enterprise funds in the aggregate, including the applicable allowances for uncollectable accounts are as follows:

Business-type Activities	Civic Center	Golf Course	Public Transit	Water	Total Business-Type Activities	Total Government
Receivables:						
Accounts	\$ 46,581	\$ 0	\$ 0	\$1,249,398	\$1,295,979	\$ 5,053,030
Taxes	0	0	0	0	0	4,776,430
Property standards & special assessment	0	0	0	0	0	3,332,649
Interest	0	0	0	6,604	6,604	132,955
Intergovernmental	7,876	0	861,793	62,783	932,452	4,165,810
Gross receivables	54,457	0	861,793	1,318,785	2,235,035	17,450,874
Less: allowance for uncollectable	0	0	0	(500,983)	(500,983)	(3,573,755)
Net total receivables	\$ 54,457	\$ 0	\$ 861,793	\$ 817,802	\$1,734,052	\$13,877,119

# NOTES TO FINANCIAL STATEMENTS

Intergovernmental receivables consisted of the following, net of uncollectable allowance of \$1,017,290:

<b>Governmental-type activity:</b>	
Calcasieu Parish Police Jury	\$ 77,071
Lake Charles City Court	17,863
U.S. Department of Justice	34,080
Community Development Grant	9,667
US Treasury	61,144
LA Department of Treasury	138,250
LA Department of Transportation	32,835
LA Commission on Law Enforcement and Admin. of Criminal Justice Grant	17,534
LA Department of Environmental Quality	1,006,063
Environmental Protection Agency	10,907
LA Department of Military Affairs	309,458
Housing & Urban Development Disaster Recovery Grants	446,332
Housing & Urban Development Emergency Grants	54,864
Total Governmental-type activities	2,216,068
<b>Business-type activity:</b>	
Mass Transit Operating Assistance Grant	460,273
Federal Transit Administration – Capital Funding	390,126
LA Department of Military Affairs	7,876
LA Department of Transportation	74,177
Total Business-type activities	932,452
Total primary government	\$3,148,520

# NOTES TO FINANCIAL STATEMENTS

## C. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2012 was as follows:

### Primary Government

Governmental Activities:

Asset	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 12,793,280	\$ 3,824,400	\$ (4,800)	\$ 16,612,880
Construction in progress	40,401,864	21,180,667	(11,712,442)	49,870,089
Total capital assets, not being depreciated	53,195,144	25,005,067	(11,717,242)	66,482,969
Capital assets being depreciated:				
Buildings	46,527,355	1,981,224	0	48,508,579
Improvements	48,736,577	4,042,546	0	52,779,123
Machinery & Equipment	29,164,198	2,455,259	(1,342,796)	30,276,661
Infrastructure	251,283,206	9,126,778	0	260,409,984
Total capital assets being depreciated	375,711,336	17,605,807	(1,342,796)	391,974,347
Less accumulated depreciation for:				
Buildings	(14,527,749)	(2,079,868)	0	(16,607,617)
Improvements	(19,844,965)	(1,921,610)	0	(21,766,575)
Machinery & Equipment	(21,219,328)	(2,357,951)	1,335,411	(22,241,868)
Infrastructure	(92,517,847)	(5,440,160)	0	(97,958,007)
Total accumulated depreciation	(148,109,889)	(11,799,589)	1,335,411	(158,574,067)
Total capital assets, being depreciated, net	227,601,447	5,806,218	( 7,385)	233,400,280
Governmental activities capital assets, net	\$280,796,591	\$30,811,285	\$(11,724,627)	\$299,883,249

The assets of the Internal Service Funds are included in the table for assets related to governmental-type activities. Total assets are \$30.164 with accumulated depreciation of \$24,945. The remaining value of assets at September 30, 2012 equaled \$5,219, and this total is included in the net asset statement for the governmental-type activities.

# NOTES TO FINANCIAL STATEMENTS

## Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,104,506	\$ 0	\$ 0	\$ 2,104,506
Construction in progress	1,451,906	4,715,917	( 807,093)	5,360,730
Total capital assets, not being depreciated	3,556,412	4,715,917	( 807,093)	7,465,236
Capital assets being depreciated:				
Buildings	21,426,320	20,900	0	21,447,220
Improvements	88,311,328	1,481,968	0	88,793,296
Machinery & Equipment	8,677,275	216,085	(1,099,744)	7,793,616
Total capital assets being depreciated	117,414,923	1,718,953	(1,099,744)	118,034,132
Less accumulated depreciation for:				
Buildings	(18,686,400)	(331,479)	0	(19,017,879)
Improvements	(30,613,645)	(2,402,196)	0	(33,015,841)
Machinery & Equipment	(5,044,361)	(536,525)	1,074,023	(4,506,863)
Total accumulated depreciation	(54,344,406)	(3,270,200)	1,074,023	(56,540,583)
Total capital assets, being depreciated, net	63,070,517	(1,551,247)	(25,721)	61,493,549
Business-type activities capital assets, net	\$66,626,929	\$ 3,164,670	\$ ( 832,814)	\$68,958,785

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	\$ 18,973
Public safety	1,494,968
Public works	8,626,553
Planning and development	29,187
General services	287,823
Community services	1,339,362
Capital assets held by the government's internal service funds are charges to the various functions based on their usage of the assets	2,723
Total depreciation expense -- governmental activities	\$11,799,589
Business-type activities:	
Civic Center	\$ 1,188,071
Golf Course	217,335
Transit	264,752
Water	1,600,042
Total depreciation expense -- business-type activities	\$ 3,270,200

# NOTES TO FINANCIAL STATEMENTS

## D. Discretely presented component units

Capital asset activity for the year ended December 31, 2011 was as follows for City Court:

	Balance 1/01/2011	Additions	Deletions	Balance 12/31/2011
Governmental activities:				
Equipment	\$399,938	\$34,551	\$ 0	\$434,489.
Furniture and fixtures	17,014	0	0	17,014
Totals at historical cost	416,952	34,551	0	451,503
Less accumulated depreciation:				
Equipment	(370,106)	(18,224)	0	(388,330)
Furniture and fixtures	(13,911)	(826)	0	(14,737)
Total accumulated depreciation	(384,017)	(19,050)	0	(403,067)
Governmental activities capital assets, net	\$ 32,935	\$15,501	\$ 0	\$ 48,436

Capital asset activity for the year ended December 31, 2011 was as follows for City Marshal:

	Balance 1/01/2011	Additions	Deletions	Balance 12/31/2011
Governmental activities:				
Automobiles & equipment	\$473,894	\$ 23,294	\$ 0	\$497,188
Furniture and fixtures	8,476	0	0	8,476
Totals at historical cost	482,370	23,294	0	505,664
Less accumulated depreciation:				
Equipment	( 273,485)	(77,047)	0	(350,532)
Furniture and fixtures	( 8,323)	(149)	0	(8,472)
Total accumulated depreciation	(281,808)	( 77,196)	0	(359,004)
Governmental activities capital assets, net	\$200,562	\$ (53,902)	\$ 0	\$ 146,660

## E. Construction commitments

The City had total commitments of \$12,155,387 with contractors for unfinished construction projects as of September 30, 2012 categorized as follows:

Project type	Expended to Date	Remaining Commitment
Streets and storm drainage	\$12,220,197	\$ 7,243,507
Sanitary sewer rehabilitation	896,943	209,308
Wastewater plant improvements	4,014,575	119,625
Downtown Area Improvements	861,094	1,602,387
Other governmental facilities	1,547,440	2,980,560
Total	\$19,540,249	\$12,155,387

All remaining commitments are financed from City revenues previously received.

# NOTES TO FINANCIAL STATEMENTS

## F. Interfund receivables, payables and transfers

The composition of interfund balances as of September 30, 2012 is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Wastewater Fund	\$238,421
	Non-major Governmental Funds	169,442
	Risk Management Internal Service	165
	Transit Fund	104,641
	Golf Course	61,815
	Water Fund	349,309
Riverboat Gaming Fund	General Fund	475,000
	Non-Major Governmental Funds	83,344
Debt Service Fund	General Fund	24,177
Non-major Governmental Funds	General Fund	252,840
Civic Center Fund	General Fund	29,607
Transit Fund	Riverboat Gaming	100,000
Total		\$1,888,761

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and the payments between funds are made.

Interfund transfers:

Transfer out:	General Fund	Riverboat Fund	Wastewater Fund	Capital Project Fund	Other Special Revenue Funds	Internal Service Funds
Transfer in:						
General Fund	\$ 0	\$ 405,000	\$ 0	\$ 0	\$ 470,294	\$750,000
Riverboat Gaming	0	0	0	0	0	0
Debt Service	280,839	4,420,185	2,524,575	2,099,915	0	0
Capital Projects	0	2,700,000	4,325,000	0	0	0
Non-major Governmental	1,205,838	369,529	0	0	0	0
Civic Center	1,018,046	0	0	0	0	0
Golf Course	455,830	200,000	0	0	0	0
Transit	729,335	100,000	0	0	0	0
Water	0	500,000	0	542,480	0	0
Internal Service	568,634	0	0	0	0	0
Total	\$ 4,258,522	\$8,694,714	\$6,849,575	\$2,642,495	\$ 470,294	\$750,000

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due. Unrestricted general fund revenues are transferred to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs and proprietary fund operations.

Amounts recorded in the Capital Project Fund to the Water Fund are a transfer of capital assets that were paid for with bond proceeds and then transferred to the Proprietary Funds where they are recorded as capital contributions from the governmental funds. Excess reserves in the Employee Insurance Internal Service Fund were transferred to the General Fund to offset health insurance costs.

# NOTES TO FINANCIAL STATEMENTS

## G. Long-Term Debt

Bonds payable as of September 30, 2012 are comprised of the following individual issues and are entirely related to governmental activities:

<u>\$3,600,000</u> Series 1998A Tax-exempt Pension Refunding Bonds due in annual amounts of \$1,075,000 in 2012 and \$1,125,000 in 2013; interest rates at 4.55% to 4.70%	\$ 1,125,000
<u>\$9,055,000</u> Series 1998B Taxable Pension Refunding Bonds due in annual amounts of \$805,000 in 2014; interest rates of 7.77% to 6.55%	805,000
<u>\$34,480,000</u> 2007 Fixed rate Revenue Bonds – LCDA for City of Lake Charles Public Improvement Projects (roads, utilities, downtown/lakefront development, economic development and parks) due in annual amounts of \$1,110,000 to \$2,555,000 through 2027; interest rates of 4% to 5%.	28,370,000
<u>\$17,735,000</u> 2009 Revenue Refunding Bonds – LCDA Original issue was for construction of sewer treatment facility due in amounts of \$1,270,000 to \$1,750,000 through 2021; interest rates of 2% to 4%.	13,610,000
<u>\$39,280,000</u> 2010 Fixed rate Revenue Bonds – LCDA for City of Lake Charles Public Improvement Projects (roads, utilities, downtown/lakefront development, economic development and parks) due in annual amounts of \$1,575,000 to \$3,200,000 through 2027; interest rates of 2% to 4.125%.	35,960,000
Total bonds payable	<u>\$79,870,000</u>

The Revenue Bonds are subject to arbitrage rules. An arbitrage rebate in the amount of \$493,061 was paid in the current fiscal year for the 2007 bond issue. Additional calculations will be done in the future as required.

Annual debt service requirements to maturity of the bonds are as follows:

Year ending September 30:	Governmental Activities		
	Principal	Interest	Total
2013	\$ 5,615,000	\$ 3,441,521	\$ 9,056,521
2014	5,445,000	3,240,196	8,685,196
2015	4,790,000	3,033,969	7,823,969
2016	4,950,000	2,882,344	7,832,344
2017	5,150,000	2,684,344	7,834,344
2018	5,380,000	2,452,044	7,832,044
2019	5,625,000	2,209,269	7,834,269
2020	5,860,000	1,969,237	7,829,237
2021	6,125,000	1,711,688	7,836,688
2022	4,570,000	1,442,337	6,012,337
2023	4,800,000	1,213,838	6,013,838
2024	5,020,000	989,700	6,009,700
2025	5,275,000	738,700	6,013,700
2026	5,510,000	504,500	6,014,500
2027	5,755,000	259,750	6,014,750
Total	\$ 79,870,000	\$ 28,773,437	\$ 108,643,437

# NOTES TO FINANCIAL STATEMENTS

## Changes in long-term liabilities:

Long-term liability activity for the year ended September 30, 2012 was as follows:

	Balance 10/01/2011	Additions	Reductions	Balance 9/30/2012	Due within one year
<b>Governmental activities:</b>					
Bonds payable:					
Pension refunding bonds payable	\$ 3,005,000	\$ 0	\$(1,075,000)	\$ 1,930,000	\$1,125,000
Revenue Bonds LC Public Imp 2007	29,695,000	0	(1,325,000)	28,370,000	1,375,000
Deferred amount of revenue bonds	863,694	0	(55,129)	808,565	55,129
Revenue Refunding Bonds	14,905,000	0	(1,295,000)	13,610,000	1,320,000
Deferred amount of revenue bonds	392,031	0	(39,203)	352,828	39,203
Revenue Bonds LC Public Imp 2010	37,705,000	0	(1,745,000)	35,960,000	1,795,000
Deferred amount of revenue bonds	1,570,765	0	(100,262)	1,470,503	100,262
Total bonds payable	88,136,490	0	(5,634,594)	82,501,896	5,809,594
Compensated absences	3,074,854	545,627	(393,198)	3,227,283	200,000
Other post employment benefits	1,094,912	650,673	(301,426)	1,444,159	0
Police Benefit Guarantee	98,068	0	( 20,385)	77,683	20,385
Lake Charles City Court building loan	3,000,000		(95,000)	2,905,000	100,000
DEQ loan	918,201	4,222,067	0	5,140,268	0
Cooperative endeavor-Sales Tax Dist 3	3,064,492	0	(350,000)	2,714,492	350,000
Long-term liabilities	\$ 99,387,017	\$5,418,367	\$(6,794,603)	\$98,010,781	\$6,479,979
<b>Business-type activities:</b>					
Compensated absences	\$ 536,766	\$ 54,389	\$ (34,962)	\$ 556,193	\$ 5,000
Other post employment benefits	148,501	94,835	(44,899)	198,437	0
Long-term liabilities	\$ 685,267	\$ 149,224	\$ ( 79,861)	\$ 754,630	\$ 5,000

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$76,325 of internal service compensated absences and \$18,483 OPEB liabilities are included in the above statement.

In the current year compensated absences were paid from the following governmental funds:

General Fund	Wastewater Fund	Other Special Revenue Funds	Non-Governmental funds
\$315,211	\$52,915	\$25,072	\$34,962

In the current year other post-employment benefits are paid primarily from the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### 5. Other Information

#### A. Risk Management

As of July 1, 1986 the City became self-insured with regard to workmen's compensation, auto liability, general liability, and a portion of police professional liability risk. The Risk Management Fund was established as an internal service fund at that date to account for all claims, expenses and administrative costs related to these self-insured and retained risks. The fund uses a third party administrator to service and estimate claim losses, and uses both in-house legal staff and outside counsel for defense of self-insured claims. Excess risk or stop-loss coverages are used to limit retained risk where feasible, and the cost of such coverages is also paid through the Risk Management Fund.

As an internal service activity, the Risk Management Fund is a proprietary fund in which both current and long-term liabilities for claims and losses are recognized and reported when the liability is incurred. Financial resources are provided to the fund primarily through internal service charges that are distributed among other departments and funds in proportion to estimated risk and prior loss experience. A portion of the fund's accumulated resources is designated for catastrophic losses as provided by authorizing ordinance. Any remaining fund equity is reserved for subsequent workmen's compensation and liability claims on an aggregate basis.

A lawsuit over a supplemental pay issue was settled in 2009 between the City of Lake Charles and the Lake Charles firefighters for approximately \$3,000,000. The first installment of \$1,250,000 was paid in fiscal year 2009, and a corresponding amount was transferred into the Risk Management Fund from general fund reserves. The total liability of this settlement has been paid out in increments of \$568,634 in fiscal year 2010, 2011 and 2012. The entire liability was accrued in this fund in fiscal year 2009. Transfers from the General Fund will be made in each fiscal year, which will result in a zero affect to net asset at the end of this period. The final transfer and installment payment was made in fiscal year 2012.

The Risk Management Fund also accounts for payment of hazard insurance premiums and third party claims administration services under a comprehensive risk limitation and insurance program. Under this program, the City's retained risk for all auto liability and general liability is generally limited to a maximum of \$500,000 per claim or loss. The City's self insured retention for workmen's compensation is \$550,000 for all employees.

Total net assets at September 30, 2012 were \$2,031,662. Specific ordinance authorization is required for payment of any claim in excess of \$100,000 or for any reduction or use of the amount designated for catastrophic losses. However, all estimable claims are accrued as current or long-term liabilities when incurred, without regard to the level of authorization required for payment.

The City established a self-insurance program for employee health benefits as of January 1, 1993 and accounts for this program through a separate internal service fund. Total net assets of that fund at September 30, 2012 were \$5,307,763. The amount of risk retained by the fund during 2012 was limited to \$135,000 per claimant through use of purchased stop-loss coverage.

## NOTES TO FINANCIAL STATEMENTS

Changes in the balances of claims liabilities during the past year are as follows:

	Risk Management	Employee Insurance	Totals
Unpaid claims, beginning of fiscal year 2011:	\$6,075,387	\$1,450,000	\$7,525,387
Incurred and adjusted claims	4,197,970	4,550,546	8,748,516
Claim payments	(3,920,652)	(4,650,546)	(8,571,198)
Unpaid claims, beginning of fiscal year 2012:	6,352,705	1,350,000	7,702,705
Incurred and adjusted claims	3,442,631	5,721,722	9,164,353
Claim payments	(3,744,538)	(5,521,722)	(9,266,260)
Total unpaid claims September 30, 2012:			
Current claims due within one year	4,439,527	1,550,000	5,989,527
Long-term claims due one year or more	1,611,271	0	1,611,271
Total unpaid claims September 30, 2012	\$6,050,798	\$1,550,000	\$7,600,798

### B. Property Tax

The City levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the City on property values assessed by the Calcasieu Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The distribution of the City's levy (tax rate per \$1,000 assessed value) to its funds was as follows for 2012 and 2011:

Tax	Fiscal year 2012	Fiscal year 2011
General Alimony	6.07	6.07
Special recreation	1.70	1.70
Employee salary	5.27	5.27
Special street improvement	2.31	2.31
Totals	15.35	15.35

### C. Contingencies and Commitments

The City has a number of outstanding contracts the breach of any of which could result in a liability to the City. The amount of the liability to the City at September 30, 2012, if any, is not estimable.

### D. Joint Service Agreements

The City of Lake Charles and the Calcasieu Parish Police Jury entered into a joint service agreement, with an effective date of January 1, 2010, regarding operational responsibility for a consolidated animal services and shelter program. The term of the agreement was for the calendar year 2010 through 2012, with an optional renewal period of three years. The City agreed to fund one-half of the operating budget, after the reduction for self-generated revenue and other specified grant revenue. The fifty percent amount is based on the average service call breakdown between the City and the Parish. The 2012 payment was \$475,478.

## NOTES TO FINANCIAL STATEMENTS

The City of Lake Charles and the Calcasieu Parish Police Jury are statutorily required to fund the operations of the Ward Three Court and Marshal's Office. The Parish paid the City \$229,210 in 2012 under this agreement.

On July 20, 2004, the City and the Calcasieu Parish Police Jury entered into a joint services agreement regarding the management of Fire Protection District 2 of Ward 3. In that agreement, the Parish dissolved the existing board of directors and assumed that responsibility. The City of Lake Charles assumed the day to day management of those operations, which would be inclusive of any budgetary decision making requirements. The Parish would continue to collect the property tax revenue on behalf of the District while paying the City for their management services. The ownership of the District's assets would not be transferred under this joint services agreement, and any costs associated with major improvements or capital expenditures would remain the responsibility of the District. The fee for the management services provided is the full amount of the property tax collections and the state revenue sharing collections paid to the District. In 2012, the Parish remitted \$ 1,569,609 to the City. The activity of this District is presented as a blended component unit of the Parish since the Police Jury's and the District's governing board are the same.

### **E. Gaming Activity and Agreements**

In 2007, the City of Lake Charles and the Calcasieu Parish Police Jury entered into a cooperative endeavor agreement thereby creating the Calcasieu Parish Gaming Revenue District which is responsible for collecting fees and assessments related to gaming activity conducted within the boundaries of the Parish and the City of Lake Charles and then distributing those collections to participating entities. The entities eligible for participation in this distribution are currently the Parish, the City of Lake Charles, the City of Sulphur, the City of Dequincy, the Town of Vinton and the Town of Iowa. Specifically excluded from the definition of gaming revenues to be collected by the new district is the annual cash payment received by the Parish from the Isle of Capri. The City received \$9,713,282 during fiscal year 2012 as a result of this agreement.

### **F. Other Postemployment Benefits Other than Pensions (OPEB)**

For the fiscal year ended September 30, 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This statement addresses the fact that certain postemployment benefits other than pensions, which for the City consist of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future, upon retirement, and whose costs will be borne by the City in the future. This statement attempts to quantify the future "retirement" costs that have been earned by the employee during his active years of employment. The City will finance the postemployment benefits on a "pay-as-you-go" basis. Accordingly, a liability is recognized in the financial statements for the actuarial determined amount of postemployment benefits that are associated with the normal costs of benefits attributable to service in the current year as well as an amortization of any unfunded actuarial accrued liability for costs of benefits associated with prior years of employment.

The notes to the financial statements contain other required disclosure information such as the estimated costs today of providing the postemployment benefits to all of our current employees once they retire, not just the liability referred to above that is actually recognized in the statements of net assets. The City contracted with a third party consultant to perform the actuarial valuation required by GASB Statement No. 45 for the fiscal year ended September 30, 2012. GASB Statement No. 45 requires biennially valuations for plans with memberships exceeding 200. This was the City's second actuarial valuation, the first being prepared for the 2009 financial statements. The Valuation Reports for the City of Lake Charles -- GASB 45 Actuarial Valuation -- is available at City of Lake Charles, 326 Pujos Street, Lake Charles, LA 70601.

Plan Description: The City OPEB Plan is a single employer defined benefit plan. Employees are eligible for retiree health benefits if they are eligible for a pension from their respective retirement system and they are enrolled in the City of Lake Charles health plan at the time of retirement. City employees may retire upon attaining (1) age 60 with 10 years of service; or (2) at any age with 30 years of service. Police employees may retire upon attaining (1) age 55 with 12 years of service; or (2) at any age with 20 years of service. Fire

## NOTES TO FINANCIAL STATEMENTS

employees may retire upon attaining (1) age 55 with 12 years of service; (2) age 50 with 20 years of service; or (3) at any age with 25 years of service.

In addition, if an employee becomes disabled under the terms of his retirement system, he shall be eligible for medical benefits. City employees must have 10 years of service at time of disability. Police and fire employees must have 5 years of service at time of disability.

Upon election, spouses and children are eligible for coverage. In the event of death after satisfying the criteria for retirement, but prior to actual retirement, a surviving spouse and dependants are eligible for benefits. Participants over 65 are covered under a retiree-pay-all Medicare Advantage plan.

The City does offer dental and vision benefits to its retirees. However, those benefits are fully insured and retiree-pay-all, so the City has no liability for those benefits. A life benefit of \$10,000 is available at retirement. The current cost of the life insurance is \$6.70 per month and is completely paid by the retirees. Therefore, there is no liability to the City for life insurance benefits.

Funding Policy: The contribution requirements of the retirees and the participating employees are established in the annual operating budget and may be amended in the subsequent year by the City management. As stated previously, the required contribution is based on projected pay-as-you-go financing requirements. The employer contribution to the OPEB plan for 2012 was \$298,000. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2012 consisted of \$556 per month for retiree only and \$1,112 for retiree and dependent coverage. Retirees over age 65 pay a range between \$171 and \$301 per month, depending on their age, for Medicare Supplements Part B and D.

Actuarial Methods and Assumptions: All calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of such valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial valuations for the OPEB plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial calculations of the OPEB plan also reflect a long-term perspective and liability for the future premiums expected to be paid by the retiree for their own and their dependents' coverage. This liability is based on the current premium rates without adjustment for age or gender. It also is based on the terms of the retiree medical program. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Projections of benefits for financial reporting purposes include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial cost method and assumptions used for determining the benefit obligation is the Projected Unit Credit Cost Method for the October 1, 2010 actuarial valuation. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on the assumptions and census data as stated. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service to expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, the Unfunded AAL is amortized as a level dollar over 28 years beginning October 1, 2010. Because the City currently finances OPEB using a pay-as-you-go approach, the discount rate of 4 percent would be the expected return on the investments in the City's general funds. The actuarial assumptions included a 4 percent investment rate of return, compounded annually. Health cost trends with Medicare and Retiree Premium increases are non-applicable because participants over 65 are covered under a retiree-pay-all Medicare Advantage plan. Mortality rates for actives were based on the RP2000 Healthy with Projection Scale AA for Males and Females. Mortality – Disabled rates were based on the RP2000 Disabled with Projection Scale AA for Males and Females.

## NOTES TO FINANCIAL STATEMENTS

For Municipal Employees, demographic assumptions regarding retirement, turnover and disability are based on statistics taken from the Municipal Employees' Retirement System of Louisiana (MERSLA) pension valuation. For Police and Fire, demographic assumptions are based on statistics taken from the Louisiana Municipal Police Employees' Retirement System (LAMPERS) valuation.

To determine the future trend rate assumptions, the Actuarial Valuation considered both near term and long term expectations of healthcare inflation. For the near term, the Actuarial selected trend rates within the range of factors included in Milliman's Health Cost Guidelines for 2011 based on industry data. For the long term, the Actuarial used trend rates from the Getzen model for projecting long term healthcare trends. The Getzen model was developed by the Society of Actuaries (SOA) as a resource for the estimation of reportable liabilities for retiree healthcare benefits. It is described in the SOA research report, Modeling Long Term Healthcare Trends, December 10, 2007. For participants under age 65, the plan assumed health costs (including medical, prescription drugs, administration, and stop loss) will increase 6.8 percent in the first year, 6.7 percent in the second year, 6.3 percent in the third year, 6 percent in the fourth year, and ultimately grade down to 4.2 percent per year after the seventy-second year. Health cost trends with Medicare are non-applicable because participants over 65 are covered under a retiree-pay-all Medicare Advantage plan. The actuarial valuation assumes that (1) 25 percent of employees are assumed to elect continued coverage at retirement; (2) 25 percent of employees are assumed to have a covered spouse at retirement; (3) no dependent children are assumed; (4) husbands are assumed to be three years older than wives, and (5) 100 percent of employees will elect Medicare coverage when they are first eligible.

In determining the Annual Required Contribution, the Unfunded Actuarial Accrued Liability (AAL) is amortized as a level dollar over 28 years on a closed basis.

**Annual OPEB Cost and Net OPEB Obligation:** The City annual OPEB costs were calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the October 1, 2010 actuarial valuation performed by an outside actuary consultant. The following table shows the components of the City's annual OPEB costs for the year and the amount estimated to have been contributed to the plan during the year:

Determination of Net OPEB Obligation	Governmental Activities	Business-Type Activities	Total
Annual required contribution (ARC)	\$ 606,876	\$ 88,895	\$ 695,771
Interest on prior year Net OPEB Obligation	43,797	5,940	49,737
Adjustment to ARC	(42,059)	(6,266)	(48,325)
Annual OPEB Cost	608,614	88,569	697,183
City contributions made	(259,367)	(38,633)	(298,000)
Increase in Net OPEB Obligation	349,247	49,936	399,183
Net OPEB Obligation – beginning of year	1,094,912	148,501	1,243,413
Net OPEB Obligation – end of year	\$ 1,444,159	\$ 198,437	\$ 1,642,596

### Trend Information for OPEB Plan:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2009	\$642,116	34%	\$ 424,116
9/30/2010	\$642,116	41%	\$ 805,231
9/30/2011	\$697,183	37%	\$1,243,413
9/30/2012	\$697,183	43%	\$1,642,596

## NOTES TO FINANCIAL STATEMENTS

**Funding Status and Funding Progress:** The following is a Schedule of Funding Status and Funding Progress for the OPEB Plan based on the current actuarial valuation:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/2008	\$0	\$6,063,254	\$6,063,254	0%	\$23,558,095	25.74%
10/01/2010	\$0	\$6,402,679	\$6,402,679	0%	\$23,900,000	26.79%

### **G. Other Postemployment Benefits – Police Benefit Guarantee**

In connection with a 1983 merger of the former Lake Charles Police Pension and Relief Fund into the state-administered Municipal Police Employees Retirement System (MPERS), the City contractually guaranteed the continued availability of early retirement benefits to merged police employees with twenty or more years of service, for transitional benefit payments to those electing to terminate employment prior to attainment of the then-existing normal retirement age for commencement of MPERS pension benefits. As a result of subsequent liberalization of MPERS benefits, relatively few of the eligible participants have elected to receive the temporary City benefit prior to normal retirement under MPERS.

As of September 30, 2012, the City was paying post-employment benefits to one participant who will be eligible to receive benefits from MPERS at age 60 so the maximum liability is known and reported below. Total payments during the year then ended were \$20,385; the maximum liability for subsequent payments was established at \$77,683 that is recorded as a long-term liability. Payments are funded on a cash basis through a related debt service fund, which is supported by periodic General Fund transfers. The balance available in the Debt Service Fund as of September 30, 2012 was \$93,385, which exceeds the maximum future liability.

### **H. Retirement Commitments**

The City participates in three state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the City's full-time employees: Municipal Employees' Retirement System, Municipal Police Employees' Retirement System and Firefighters' Retirement System of the State of Louisiana. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. Additional disclosures with respect to the City's participation in these systems are provided below.

#### Municipal Employees' Retirement System

This system covers full-time municipal employees who are not eligible to participate in other state-administered defined benefit plans. Membership is generally mandatory for such employees of participating municipalities. The City of Lake Charles participates in "Plan B" of this system, in which employees are subject to federal social security coverage. A member of Plan B may retire at any age with 30 years of creditable service or at age 60 with 10 years of service. Benefits vest after 10 years of service and are generally equal to two percent of the member's final three-year average salary times the number of years of creditable service. Active plan members are required to contribute 5 percent of regular earnings, and the City is required to contribute at an actuarially determined rate, which has been at 8 percent of covered payroll since July 1, 2011.

## NOTES TO FINANCIAL STATEMENTS

The City of Lake Charles and their employees contributed to Plan B of Municipal Employees Retirement System a total of \$1,833,414; \$1,629,516; and \$1,641,494 for the years ended September 30, 2012, 2011 and 2010 respectively, which equals the required contribution for each year.

The Municipal Employees' Retirement System issues a publicly available financial report, which may be obtained by writing to that system at 9737 Office Park Boulevard, Baton Rouge, LA 70809.

### Municipal Police Employees' Retirement System

This system, which covers full-time police personnel in participating municipalities, provides a pension benefit of three and one-third percent of average final salary for each year of service, with normal retirement eligibility ranging from age 55 with 12 years of service to any age with 25 years of service. Active plan members historically have been required to contribute 7.5 percent of covered earnings; this rate was increased on July 1, 2011 to 10 percent in an effort to reduce employer required contributions. The City is required to contribute an actuarially determined rate, which was 31 percent of covered payroll at fiscal year end 2012; 26.5 percent at fiscal year end 2011; and 25 percent at fiscal year end 2010.

The City of Lake Charles and their employees contributed a total of \$3,001,885; \$2,610,054; and \$1,645,802 to the Municipal Police Employees' Retirement System for fiscal years ended September 30, 2012, 2011 and 2010 respectively, which equals the required contributions for each year. The financial report issued by this system may be obtained from Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard Suite 270, Baton Rouge, LA 70809-7017.

### Firefighters' Retirement System of the State of Louisiana

This system, which covers full-time fire department employees who are not members of other retirement systems, has the same contribution requirements and major benefits provisions as the Municipal Police Employees' Retirement System described above. Employees have historically been required to contribute 8 percent of covered earnings; this rate increased to 10 percent on July 1, 2011 in an effort to reduce the employer required contributions. The City is required to contribute an actuarially determined rate, which was 24 percent at fiscal year end. The City was contributing 23.25 percent of covered payroll at fiscal year end 2011, and 21.5 percent of covered payroll at fiscal year end 2010.

The City of Lake Charles' employee and employer contributions to this plan were \$2,423,257; \$2,203,433; and \$1,742,374 for the years ended September 30, 2012, 2011 and 2010 respectively, which equals the required contributions for each year. The financial report for this system may be obtained from Firefighters' Retirement System, P.O. Box 94095, Capitol Station, Baton Rouge, LA 70804-9095.

### **I. Federally Assisted Grant Programs**

The City participates in a number of federally assisted grant programs, with the principal grantor agencies being the U.S. Department of Transportation, the Department of Housing and Urban Development, Environmental Protection Agency, and the U.S. Department of Military Affairs. These programs are subject to compliance audits by the grantors or their representatives, and the City's compliance with applicable grant requirements for the year ended September 30, 2012 will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Federal and state governmental units represent an important source of supplemental funding used to finance housing, construction and infrastructure programs, and other activities beneficial to the City. These funds, primarily in the form of grants, are recorded in the General, Special Revenue, Capital Project and Enterprise Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant. The grants normally specify the purpose for which the funds may be used and are subject to audit by the granting agency or its representative using standards established under the Single Audit Act of 1984 and OMB Circular A-133. The compliance audit report is not included within this report but will be issued as a separate supplementary report.

## NOTES TO FINANCIAL STATEMENTS

During fiscal year 2012 the following amounts were recorded in the accompanying financial statements under various federal and state pass-through entitlements:

Fund	Fiscal year 2012
Community Development	\$ 919,835
Disaster Recovery Fund	922,168
Grant Fund	1,012,022
Capital Projects Fund	5,192,527
Transit Enterprise Fund	4,267,647

### **J. Dedication of Proceeds and Flow of Funds - Two and One-Quarter Percent Sales and Use Tax**

#### One Percent Sales and Use Tax:

Proceeds of the one percent sales tax levied by the City of Lake Charles (2012 collections \$19,940,426; 2011 collections \$18,994,509; 2010 collections \$18,382,454;) are collected by the General Fund and may be used for virtually any operating or capital needs of the City of Lake Charles. This tax levy was originally authorized in 1965 and has been re-authorized for an additional 25 years from March 1, 1990.

#### Additional Dedicated One Percent Sales Tax:

In November 1986, a sales tax election was held, and the City of Lake Charles was authorized to collect an additional dedicated one percent sales tax levy for a period of five years commencing January 1, 1987. This tax has since been reauthorized for periods of five years extending through 1996, and then for ten years through 2006. This tax was re-authorized in 2006 for an additional 10 years through 2016. Proceeds of this additional one percent sales tax levied by the City of Lake Charles (2012 collections \$19,940,426; 2011 collections \$18,994,510; 2010 collections \$18,382,454) were deposited directly to the funds for which they are dedicated on a percentage basis as follows:

General Fund	
Public safety purposes	20%
Public works purposes	28%
Wastewater Special Revenue Fund	
Wastewater or sanitary sewerage services or facilities	16%
Recreation Special Revenue Fund	
Recreation	8%
Capital Project Fund	
Certain types of capital improvements	28%

#### Additional One-Quarter Percent Sales Tax:

The voters approved an additional sales tax levy of one-quarter of one percent in January 1995 for the purpose of increasing the pay and starting salaries of City employees. This tax levy is authorized for a period of ten years from its effective date of April 1, 1995. This tax has been reauthorized for ten years, extending

# NOTES TO FINANCIAL STATEMENTS

through 2015. The revenues from this tax are recorded exclusively in the General Fund. Collections for September 30, 2012 totaled \$4,985,113; \$4,750,340 in fiscal year 2011 and \$4,595,617 in 2010.

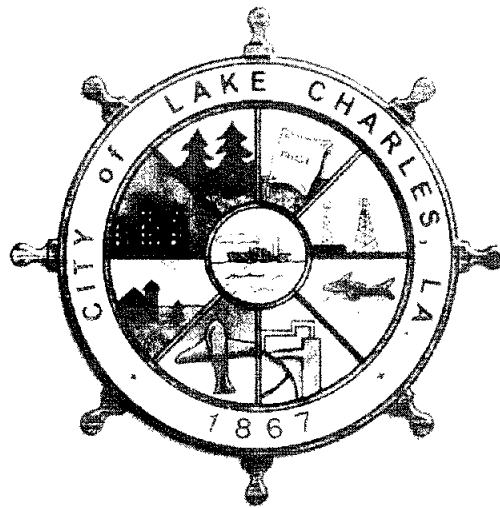
## K. Schedule of Compensation Paid to Governing Board

	Salary	Per Diem	Mileage Reimbursement	Total
<b>Mayor:</b>				
Randy Roach	\$114,604	\$ 0	\$ 0	\$114,604
<b>Councilmen:</b>				
Luvertha August	12,000	0	0	12,000
Rodney Geyen	12,000	0	0	12,000
Dana Jackson	12,000	0	0	12,000
Marshall Simien	12,000	0	0	12,000
Stuart Weatherford	12,000	0	0	12,000
John Ieyoub	12,000	189	148	12,336
Mark Eckard	12,000	0	0	12,000
Total	\$196,909	\$ 189	\$148	\$198,940

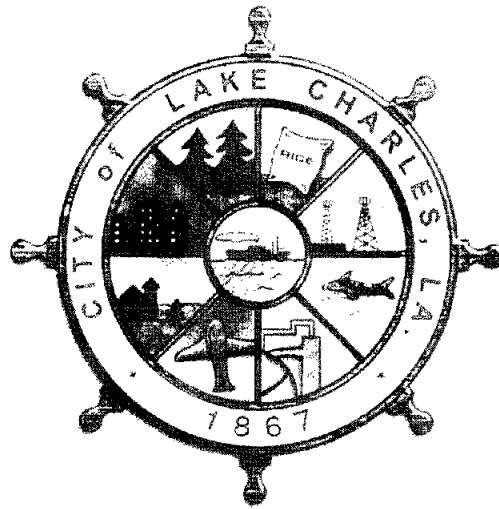
## L. Subsequent Events

Subsequent events have been evaluated by management through March 28, 2013, the date the financial statements were available to be issued. Various current and former fire and police employees have filed suit against the City seeking additional supplemental pay. The City has settled with the fire employees; and although the police litigation involves some similar issues and a similar number of potential claimants, there has been neither a determination of liability nor a firm assessment of the dollar value of the claims in that lawsuit. Moreover, there are issues in the police litigation regarding the propriety of class certification which did not exist in the firefighter litigation. Therefore a specific amount of liability cannot be reported at this time.

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# REQUIRED SUPPLEMENTAL INFORMATION



# CITY OF LAKE CHARLES, LOUISIANA

## General Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For Fiscal Year Ended September 30, 2012

	Budgeted Amounts		2012	Variance with
	Original	Final	Actual	Final Budget
<b>Revenues:</b>				
Taxes	\$ 43,148,032	\$ 44,013,032	\$ 44,280,934	\$ 267,902
Licenses and permits	6,561,240	5,656,240	5,526,807	(129,433)
Intergovernmental	2,346,676	2,346,676	2,335,189	(11,487)
Charges for services	2,456,587	2,220,587	2,426,917	206,330
Fines and forfeitures	344,800	324,800	311,388	(13,412)
Miscellaneous	864,350	1,194,350	1,274,544	80,194
Total revenues	<u>55,721,685</u>	<u>55,755,685</u>	<u>56,155,779</u>	<u>400,094</u>
<b>Expenditures:</b>				
Current:				
General government	2,963,795	2,963,795	2,876,353	87,442
Finance	1,560,283	1,560,283	1,498,360	61,923
Human Resources	326,315	326,315	312,168	14,147
Fire	13,785,674	13,495,674	13,293,542	202,132
Police	16,586,969	16,811,969	16,636,868	175,101
Public works	14,700,469	13,780,469	12,941,624	838,845
Planning	2,005,980	1,960,980	1,850,969	110,011
General services	4,234,969	4,284,969	4,070,563	214,406
Total expenditures	<u>56,164,454</u>	<u>55,184,454</u>	<u>53,480,447</u>	<u>1,704,007</u>
Excess (deficiency) of rev over exp	<u>(442,769)</u>	<u>571,231</u>	<u>2,675,332</u>	<u>2,104,101</u>
<b>Other financing sources (uses):</b>				
Transfers in	2,175,000	2,085,800	1,625,294	(460,506)
Transfers out	<u>(4,627,833)</u>	<u>(4,627,833)</u>	<u>(4,258,525)</u>	<u>369,308</u>
Total other financing sources (uses)	<u>(2,452,833)</u>	<u>(2,542,033)</u>	<u>(2,633,231)</u>	<u>(91,198)</u>
Net change in fund balances	(2,895,602)	(1,970,802)	42,101	2,012,903
Fund balance at beginning of year	<u>25,314,863</u>	<u>25,314,863</u>	<u>25,314,863</u>	<u>-</u>
Fund balance at end of year	<u>\$ 22,419,261</u>	<u>\$ 23,344,061</u>	<u>\$ 25,356,964</u>	<u>\$ 2,012,903</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE CHARLES, LOUISIANA**  
**Riverboat Gaming Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2012**

	<b>Budgeted Amounts</b>		<b>2012</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Taxes	\$8,800,000	\$8,800,000	\$9,713,282	\$ 913,282
Miscellaneous	6,000	6,000	11,423	5,423
Total revenues	<u>8,806,000</u>	<u>8,806,000</u>	<u>9,724,705</u>	<u>918,705</u>
<b>Expenditures:</b>				
Other services and charges	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>8,806,000</u>	<u>8,806,000</u>	<u>9,724,705</u>	<u>918,705</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(9,153,058)	(9,153,058)	(8,694,714)	458,344
Total other financing sources (uses)	<u>(9,153,058)</u>	<u>(9,153,058)</u>	<u>(8,694,714)</u>	<u>458,344</u>
Excess (deficiency) of rev and other sources over exp and other uses	(347,058)	(347,058)	1,029,991	1,377,049
Fund balance at beginning of year	<u>3,029,134</u>	<u>3,029,134</u>	<u>3,029,134</u>	<u>-</u>
Fund balance at end of year	<u><u>\$2,682,076</u></u>	<u><u>\$2,682,076</u></u>	<u><u>\$4,059,125</u></u>	<u><u>\$ 1,377,049</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE CHARLES, LOUISIANA**  
**Wastewater Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2012**

	<b>Budgeted Amounts</b>		<b>2012</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Sales tax revenue	\$ 3,088,000	\$ 3,088,000	\$ 3,190,468	\$ 102,468
Charges for services	9,916,000	9,916,000	11,092,922	1,176,922
Miscellaneous	22,500	22,500	36,176	13,676
Total revenues	<u>13,026,500</u>	<u>13,026,500</u>	<u>14,319,566</u>	<u>1,293,066</u>
<b>Expenditures:</b>				
Personal services	2,819,080	2,786,306	2,735,847	50,459
Contractual and operational services	2,839,872	2,762,916	2,185,716	577,200
Materials & supplies	1,102,650	1,327,058	1,218,285	108,773
Special Current Charges	1,103,000	1,258,916	1,243,729	15,187
Capital outlay	815,000	219,406	193,316	26,090
Total expenditures	<u>8,679,602</u>	<u>8,354,602</u>	<u>7,576,893</u>	<u>777,709</u>
Excess (deficiency) of rev over exp	4,346,898	4,671,898	6,742,673	2,070,775
<b>Other financing sources (uses):</b>				
Transfers out	<u>(6,524,575)</u>	<u>(6,849,575)</u>	<u>(6,849,575)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,524,575)</u>	<u>(6,849,575)</u>	<u>(6,849,575)</u>	<u>-</u>
Excess (deficiency) of rev and other sources over exp and other uses	(2,177,677)	(2,177,677)	(106,902)	2,070,775
Fund balance at beginning of year	<u>7,651,373</u>	<u>7,651,373</u>	<u>7,651,373</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,473,696</u>	<u>\$ 5,473,696</u>	<u>\$ 7,544,471</u>	<u>\$ 2,070,775</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LAKE CHARLES, LOUISIANA**  
**Other Postemployment Benefits –**  
**Schedule of Funding Progress**  
**For Fiscal Year Ended September 30, 2012**

Schedule of Funding Progress  
For the OPEB Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/2008	\$0	\$6,063,254	\$6,063,254	0%	\$23,558,095	25.74%
10/01/2010	\$0	\$6,402,679	\$6,402,679	0%	\$23,900,000	26.79%

Only two years of trend information is available for presentation since 2009 was the first year for implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," and actuarial valuations are only required every two years.

## **CITY OF LAKE CHARLES, LOUISIANA**

### **NOTES TO REQUIRED SUPPLEMENTAL INFORMATION For Fiscal Year Ended September 30, 2012**

Budget to Actual schedules that are included in the RSI section are reported on the same budgetary basis as GAAP.

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Grant Fund** – Accounts for funds received and expended for various categorical grant programs, including law enforcement grants and summer food service program.

**Recreation Fund** – Accounts for the operation and maintenance of recreational programs and facilities other than the Civic Center and Golf Course, and for the receipt and subsequent expenditure of dedicated taxes, user fees and other funds received for recreational services.

**Central School Fund** – Accounts for receipt and subsequent expenditure of funds for operation, maintenance and improvements of the Central School Arts and Humanities Center.

**Special Event Fund** – Accounts for receipt and subsequent expenditure of funds for special events and exhibit costs.

**Facility Renewal Fund** – Accounts for funds transferred from other sources to provide for long-term accumulation of funds for future maintenance and repair needs.

**Disaster Recovery Fund** – Accounts for the receipt of intergovernmental and miscellaneous revenue and subsequent expenditure of such funds necessary to recover from disasters.

**Community Development** – This fund accounts for the receipt and subsequent expenditure of federal funds received from the Department of Housing and Urban Development for housing and community development purposes, including related revenues which are restricted to such purposes by grant agreements. The principal revenue source accounted for within this fund is the Community Development Block Grant Program.

# CITY OF LAKE CHARLES, LOUISIANA

Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2012

	Grants	Recreation	Central School	Special Events	Facility Renewal	Disaster Recovery	Community Development	Total Nonmajor Governmental Funds
<b>ASSETS</b>								
Cash (Note 4-A)	\$ 54,609	\$ 403,517	\$ 185,433	\$ 60,253	\$ 1,658,406	\$ 1,424,566	\$ -	\$ 3,786,784
Investments (Note 4-A)	58,425	77,467	54,044	-	2,091,896	900,162	-	3,181,994
Receivable								
(net of allowance for uncollectable)								
Accounts (Note 4-B)	-	129,812	27,732	178	-	-	60,350	218,072
Accrued interest	-	-	-	-	933	1,587	-	2,520
Intergovernmental (Note 4-B)	158,984	289	-	-	-	597,605	64,036	820,914
Due from other funds (Note 4-F)	7,396	245,444	-	-	-	-	-	252,840
Prepaid items	-	10,277	-	-	-	-	2,680	12,957
Total assets	\$ 279,414	\$ 866,806	\$ 267,209	\$ 60,431	\$ 3,751,235	\$ 2,923,920	\$ 127,066	\$ 8,276,081
<b>LIABILITIES</b>								
Accounts payable	\$ 8,724	\$ 80,319	\$ 7,321	\$ 731	\$ -	\$ 211,879	\$ 22,420	\$ 331,394
Escrow	-	-	-	-	-	22,503	7,939	30,442
Deferred revenue	-	-	-	-	-	-	42,000	42,000
Due to other funds	34,422	83,344	-	39	134,044	-	938	252,787
Total liabilities	43,146	163,663	7,321	770	134,044	234,382	73,297	656,623
<b>FUND BALANCES</b>								
Nonspendable	-	10,277	-	-	-	-	2,680	12,957
Committed	104,468	-	27,086	30,000	234,000	-	-	395,554
Assigned	131,800	692,866	232,802	29,661	3,383,191	2,689,538	51,089	7,210,947
Total fund balances	236,268	703,143	259,888	59,661	3,617,191	2,689,538	53,769	7,619,458
Total liabilities and fund balances	\$ 279,414	\$ 866,806	\$ 267,209	\$ 60,431	\$ 3,751,235	\$ 2,923,920	\$ 127,066	\$ 8,276,081

**CITY OF LAKE CHARLES, LOUISIANA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For Fiscal Year Ended September 30, 2012**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Grants	Recreation	Central School	Special Events	Facility Renewal	Disaster Recovery	Community Development	
<b>Revenues:</b>								
Taxes	\$ -	\$ 2,440,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,440,407
Intergovernmental	1,116,883	-	-	-	-	922,168	919,835	2,958,886
Charges for services	-	160,614	-	-	-	-	-	160,614
Miscellaneous	232	200,690	107,375	100,585	23,529	7,943	2,250	442,604
Total revenues	<u>1,117,115</u>	<u>2,801,711</u>	<u>107,375</u>	<u>100,585</u>	<u>23,529</u>	<u>930,111</u>	<u>922,085</u>	<u>6,002,511</u>
<b>Expenditures:</b>								
Current operating:								
Police	471,474	-	-	-	-	-	-	471,474
Planning and development	-	-	-	-	-	858,762	934,490	1,793,252
Community services	666,626	3,907,701	140,744	187,906	-	10,030	-	4,913,007
General services	-	-	-	56,456	-	55	-	56,511
Capital projects	-	-	-	-	-	-	-	-
Total expenditures	<u>1,138,100</u>	<u>3,907,701</u>	<u>140,744</u>	<u>244,362</u>	<u>-</u>	<u>868,847</u>	<u>934,490</u>	<u>7,234,244</u>
Excess (deficiency) of revenues over expenditures	<u>(20,985)</u>	<u>(1,105,990)</u>	<u>(33,369)</u>	<u>(143,777)</u>	<u>23,529</u>	<u>61,264</u>	<u>(12,405)</u>	<u>(1,231,733)</u>
<b>Other financing sources (uses):</b>								
Transfers in	71,237	1,305,319	-	144,825	-	-	53,987	1,575,368
Transfers out	-	-	-	-	(470,294)	-	-	(470,294)
Total other financing sources (uses)	<u>71,237</u>	<u>1,305,319</u>	<u>-</u>	<u>144,825</u>	<u>(470,294)</u>	<u>-</u>	<u>53,987</u>	<u>1,105,074</u>
Net change in fund balances	50,252	199,329	(33,369)	1,048	(446,765)	61,264	41,582	(126,659)
Fund balance at beginning of year	186,016	503,814	293,257	58,613	4,063,956	2,628,274	12,187	7,746,117
Fund balance at end of year	<u>\$ 236,268</u>	<u>\$ 703,143</u>	<u>\$ 259,888</u>	<u>\$ 59,661</u>	<u>\$ 3,617,191</u>	<u>\$ 2,689,538</u>	<u>\$ 53,769</u>	<u>\$ 7,619,458</u>

# CITY OF LAKE CHARLES, LOUISIANA

## Grant Special Revenue Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For Fiscal Year Ended September 30, 2012

	Budgeted Amounts		2012 Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 2,014,634	\$ 1,123,793	\$ 1,116,883	\$ (6,910)
Miscellaneous	1,000	232	232	-
Total revenues	<u>2,015,634</u>	<u>1,124,025</u>	<u>1,117,115</u>	<u>(6,910)</u>
<b>Expenditures:</b>				
Current:				
Public safety	795,625	474,087	471,474	2,613
Planning and development	-	-	-	-
Community services	1,264,629	677,080	666,626	10,454
Capital outlay	-	-	-	-
Total expenditures	<u>2,060,254</u>	<u>1,151,167</u>	<u>1,138,100</u>	<u>13,067</u>
Excess of revenues over expenditures	<u>(44,620)</u>	<u>(27,142)</u>	<u>(20,985)</u>	<u>6,157</u>
<b>Other financing source(uses):</b>				
Transfers in	60,620	70,346	71,237	891
Total other financing sources (uses)	<u>60,620</u>	<u>70,346</u>	<u>71,237</u>	<u>891</u>
Excess (deficiency) of rev and other sources over exp and other uses	16,000	43,204	50,252	7,048
Fund balance at beginning of year	<u>186,016</u>	<u>186,016</u>	<u>186,016</u>	<u>-</u>
Fund balance at end of year	<u>\$ 202,016</u>	<u>\$ 229,220</u>	<u>\$ 236,268</u>	<u>\$ 7,048</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Recreation Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2012**

	<b>Budgeted Amounts</b>		<b>2012</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Taxes	\$ 2,390,143	\$ 2,430,143	\$ 2,440,407	\$ 10,264
Intergovernmental	-	-	-	-
Charges for services	144,050	154,050	160,614	6,564
Miscellaneous	800	200,500	200,690	190
Total revenues	<u>2,534,993</u>	<u>2,784,693</u>	<u>2,801,711</u>	<u>17,018</u>
<b>Expenditures:</b>				
Personal services	2,223,025	2,284,718	2,234,473	50,245
Contractual and operational	1,074,949	1,154,772	1,108,722	46,050
Materials and supplies	466,075	518,805	473,493	45,312
Special charges	12,000	3,825	3,484	341
Capital outlay	192,500	87,529	87,529	-
Total expenditures	<u>3,968,549</u>	<u>4,049,649</u>	<u>3,907,701</u>	<u>141,948</u>
Excess (deficiency) of rev over exp	<u>(1,433,556)</u>	<u>(1,264,956)</u>	<u>(1,105,990)</u>	<u>158,966</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>1,433,556</u>	<u>1,414,956</u>	<u>1,305,319</u>	<u>(109,637)</u>
Total other financing sources (uses)	<u>1,433,556</u>	<u>1,414,956</u>	<u>1,305,319</u>	<u>(109,637)</u>
Excess (deficiency) of rev and other sources over exp and other uses	-	150,000	199,329	49,329
Fund balance at beginning of year	<u>503,814</u>	<u>503,814</u>	<u>503,814</u>	<u>-</u>
Fund balance at end of year	<u>\$ 503,814</u>	<u>\$ 653,814</u>	<u>\$ 703,143</u>	<u>\$ 49,329</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Central School Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2012**

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	<u>Budgeted Amounts</u>		<u>2012 Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Miscellaneous	\$ 110,450	\$ 99,800	\$ 107,375	\$ 7,575
Total revenues	<u>110,450</u>	<u>99,800</u>	<u>107,375</u>	<u>7,575</u>
<b>Expenditures:</b>				
Materials and supplies	11,500	13,600	11,429	2,171
Other services and charges	<u>116,205</u>	<u>137,855</u>	<u>129,315</u>	<u>8,540</u>
Total expenditures	<u>127,705</u>	<u>151,455</u>	<u>140,744</u>	<u>10,711</u>
Excess of revenue over expenditures	(17,255)	(51,655)	(33,369)	18,286
Fund balance at beginning of year	<u>293,257</u>	<u>293,257</u>	<u>293,257</u>	<u>-</u>
Fund balance at end of year	<u>\$ 276,002</u>	<u>\$ 241,602</u>	<u>\$ 259,888</u>	<u>\$ 18,286</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Special Event Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>		<u>2012</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<b>Revenues:</b>				
Miscellaneous	\$ 52,200	\$ 99,700	\$ 100,585	\$ 885
Total revenues	<u>52,200</u>	<u>99,700</u>	<u>100,585</u>	<u>885</u>
<b>Expenditures:</b>				
Materials and supplies	11,100	29,304	21,716	7,588
Other services and charges	215,925	241,921	222,646	19,275
Total expenditures	<u>227,025</u>	<u>271,225</u>	<u>244,362</u>	<u>26,863</u>
Excess of revenue over expenditures	(174,825)	(171,525)	(143,777)	27,748
<b>Other financing sources:</b>				
Transfers in	144,825	144,825	144,825	-
Total other financing sources	<u>144,825</u>	<u>144,825</u>	<u>144,825</u>	<u>-</u>
Excess (deficiency) of rev and other sources over exp and other uses	(30,000)	(26,700)	1,048	27,748
Fund balance at beginning of year	<u>58,613</u>	<u>58,613</u>	<u>58,613</u>	<u>-</u>
Fund balance at end of year	<u>\$ 28,613</u>	<u>\$ 31,913</u>	<u>\$ 59,661</u>	<u>\$ 27,748</u>

**CITY OF LAKE CHARLES, LOUISIANA**  
**Facility Renewal Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>		<u>2012</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<b>Revenues:</b>				
Interest on investments	\$ 32,200	\$ 15,200	\$ 23,529	\$ 8,329
Total revenues	<u>32,200</u>	<u>15,200</u>	<u>23,529</u>	<u>8,329</u>
<b>Expenditures:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	<u>32,200</u>	<u>15,200</u>	<u>23,529</u>	<u>8,329</u>
<b>Other financing sources:</b>				
Transfers out	<u>(545,000)</u>	<u>(455,800)</u>	<u>(470,294)</u>	<u>(14,494)</u>
Total other financing sources	<u>(545,000)</u>	<u>(455,800)</u>	<u>(470,294)</u>	<u>(14,494)</u>
Excess (deficiency) of rev and other sources over exp and other uses	<u>(512,800)</u>	<u>(440,600)</u>	<u>(446,765)</u>	<u>(6,165)</u>
Fund balance at beginning of year	<u>4,063,956</u>	<u>4,063,956</u>	<u>4,063,956</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,551,156</u>	<u>\$ 3,623,356</u>	<u>\$ 3,617,191</u>	<u>\$ (6,165)</u>

# CITY OF LAKE CHARLES, LOUISIANA

## Disaster Recovery Fund

### Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For Fiscal Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>2012</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
<b>Revenues:</b>				
Intergovernmental				
(net of allowance for uncollectable)	\$ -	\$ 901,238	\$ 922,168	\$ 20,930
Miscellaneous	-	5,009	7,943	2,934
Total revenues	-	906,247	930,111	23,864
<b>Expenditures:</b>				
Current:				
Contractual and operational	-	707,515	728,447	(20,932)
General services	-	140,400	140,400	-
Total expenditures	-	847,915	868,847	(20,932)
Excess (deficiency) of rev over exp	-	58,332	61,264	2,932
Fund balance at beginning of year	2,628,274	2,628,274	2,628,274	-
Fund balance at end of year	<u>\$ 2,628,274</u>	<u>\$ 2,686,606</u>	<u>\$ 2,689,538</u>	<u>\$ 2,932</u>

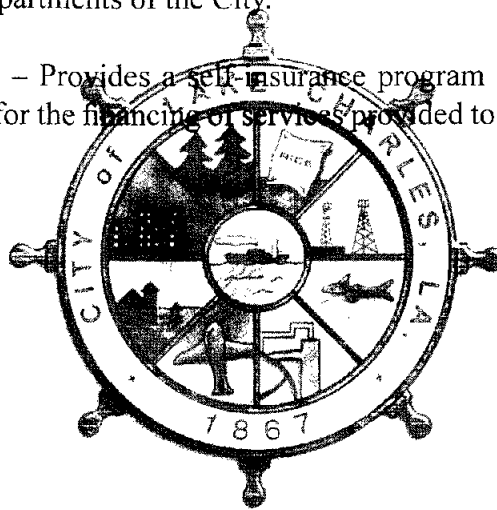
**CITY OF LAKE CHARLES, LOUISIANA**  
**Community Development Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For Fiscal Year Ended September 30, 2012**

	<b>Budgeted Amounts</b>		<b>2012</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Intergovernmental	\$ 899,495	\$ 919,836	\$ 919,835	\$ (1)
Miscellaneous	-	2,250	2,250	0
Total revenues	<u>899,495</u>	<u>922,086</u>	<u>922,085</u>	<u>(1)</u>
<b>Expenditures:</b>				
Current:				
Personal services	159,941	143,850	142,162	1,688
Contract and operational	509,575	15,002	14,645	357
Material and supplies	8,950	2,824	2,822	2
Special current	283,789	361,017	339,537	21,480
Capital outlay	-	459,209	435,324	23,885
Total expenditures	<u>962,255</u>	<u>981,902</u>	<u>934,490</u>	<u>47,412</u>
Excess (deficiency) of revenues over expenditures	(62,760)	(59,816)	(12,405)	47,411
<b>Other financing sources:</b>				
Transfers in	<u>62,760</u>	<u>53,987</u>	<u>53,987</u>	<u>-</u>
Total other financing sources	<u>62,760</u>	<u>53,987</u>	<u>53,987</u>	<u>-</u>
Excess (deficiency) of rev and other sources over exp and other uses	-	(5,829)	41,582	47,411
Fund balance at beginning of year	<u>12,187</u>	<u>12,187</u>	<u>12,187</u>	<u>-</u>
Fund balance at end of year	<u>\$ 12,187</u>	<u>\$ 6,358</u>	<u>\$ 53,769</u>	<u>\$ 47,411</u>

# INTERNAL SERVICE FUNDS

**Risk Management Fund** – Includes coverage for general liability, auto liability and worker's compensation. This fund is used to account for the financing of services provided by the risk management division to other departments of the City.

**Employee Insurance Fund** – Provides a self-insurance program for employee health benefits. This fund is used to account for the financing of services provided to other departments of the City.



# CITY OF LAKE CHARLES, LOUISIANA

## Internal Service Funds Combining Statement of Net Assets September 30, 2012

	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Totals 2012</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 5,548,439	\$ 1,373,051	\$ 6,921,490
Investments	1,103,862	5,495,486	6,599,348
Receivables:			
Accounts	652,804	3,498	656,302
Accrued interest	1,317	3,665	4,982
Due from other funds	-	-	-
Prepaid expenses	896,276	-	896,276
Total current assets	<u>8,202,698</u>	<u>6,875,700</u>	<u>15,078,398</u>
Noncurrent assets:			
Capital assets (at cost):			
Machinery & equipment	30,164	-	30,164
Less accumulated depreciation	<u>(24,945)</u>	<u>-</u>	<u>(24,945)</u>
Total capital assets (net of accum. depr.)	<u>5,219</u>	<u>-</u>	<u>5,219</u>
Total assets	<u>8,207,917</u>	<u>6,875,700</u>	<u>15,083,617</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	30,484	17,937	48,421
Due to other funds	<u>165</u>	<u>-</u>	<u>165</u>
Total current liabilities	<u>30,649</u>	<u>17,937</u>	<u>48,586</u>
Long-term liabilities:			
Accrued leave benefits	76,325	-	76,325
OPEB payable	18,483	-	18,483
Accrued insurance claims	4,264,527	1,400,000	5,664,527
Incurred-not reported claims	175,000	150,000	325,000
Accrued insurance claims - noncurrent	<u>1,611,271</u>	<u>-</u>	<u>1,611,271</u>
Total long-term liabilities	<u>6,145,606</u>	<u>1,550,000</u>	<u>7,695,606</u>
Total liabilities	<u>6,176,255</u>	<u>1,567,937</u>	<u>7,744,192</u>
<b>NET ASSETS</b>			
Invested in capital assets	5,219	-	5,219
Unrestricted	<u>2,026,443</u>	<u>5,307,763</u>	<u>7,334,206</u>
Total net assets	<u>\$ 2,031,662</u>	<u>\$ 5,307,763</u>	<u>\$ 7,339,425</u>

# CITY OF LAKE CHARLES, LOUISIANA

## Internal Service Funds

### Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets For the Fiscal Year Ended September 30, 2012

	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Totals 2012</u>
Operating revenues:			
Charges for services	\$ 5,853,651	\$ 7,370,678	\$ 13,224,329
Intergovernmental revenue	-	-	-
Subrogation	20,687	146,567	167,254
Total operating revenues	<u>5,874,338</u>	<u>7,517,245</u>	<u>13,391,583</u>
Operating expenses:			
Personal services	482,911	44,290	527,201
Materials and supplies	8,087	-	8,087
General and administration	1,853,250	1,082,807	2,936,057
Depreciation	2,723	-	2,723
Claims and losses paid	3,744,538	5,521,841	9,266,379
Total operating expenses	<u>6,091,509</u>	<u>6,648,938</u>	<u>12,740,447</u>
Operating income (loss)	<u>(217,171)</u>	<u>868,307</u>	<u>651,136</u>
Nonoperating revenues:			
Interest	45,915	39,889	85,804
Loss on retirement of fixed asset	-	-	-
Total nonoperating revenues	<u>45,915</u>	<u>39,889</u>	<u>85,804</u>
Income (loss) before transfers	<u>(171,256)</u>	<u>908,196</u>	<u>736,940</u>
Transfer in (out)	<u>568,634</u>	<u>(750,000)</u>	<u>(181,366)</u>
Change in net assets	397,378	158,196	555,574
Net assets - beginning of fiscal year	1,634,284	5,149,567	6,783,851
Net assets - ending of fiscal year	<u>\$ 2,031,662</u>	<u>\$ 5,307,763</u>	<u>\$ 7,339,425</u>

# CITY OF LAKE CHARLES, LOUISIANA

## Internal Service Fund

### Combining Statement of Cash Flows

For the Fiscal Year Ended September 30, 2012

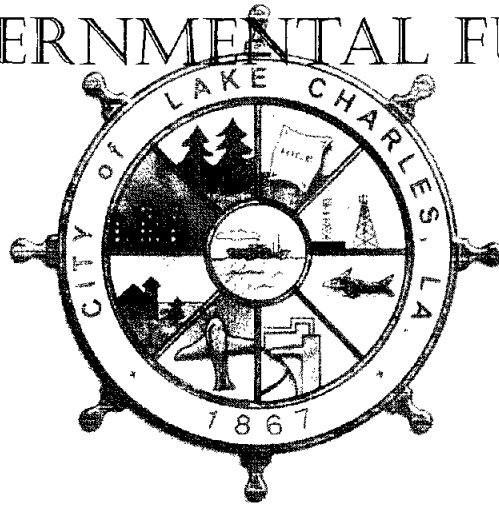
	Risk Management	Employee Insurance	Totals 2012
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 5,511,939	\$ 7,514,303	\$ 13,026,242
Payments to employees	(472,743)	-	(472,743)
Payments to suppliers and claimants	(5,963,465)	(6,450,552)	(12,414,017)
Internal activity - payments to other funds	514,340	(512)	513,828
Net cash provided by operating activities	<u>(409,929)</u>	<u>1,063,239</u>	<u>653,310</u>
<b>Cash flow from noncapital financing activities:</b>			
Operating subsidies	568,634	(750,000)	(181,366)
Net cash provided by noncapital financing activities	<u>568,634</u>	<u>(750,000)</u>	<u>(181,366)</u>
<b>Cash flow from capital and related financing activities:</b>			
Purchase of capital assets	-	-	-
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flow from investing activities:</b>			
Purchase of investment securities	(2,300,663)	(6,626,876)	(8,927,539)
Proceeds from sale and maturities of investment securities	3,803,360	6,713,115	10,516,475
Interest on investments	36,498	53,719	90,217
Net cash provided (used for) investing activities	<u>1,539,195</u>	<u>139,958</u>	<u>1,679,153</u>
Net increase (decrease) in cash and cash equivalents	1,697,900	453,197	2,151,097
Cash and cash equivalents at beginning of year	3,850,539	919,854	4,770,393
Cash and cash equivalents at end of year	<u>\$ 5,548,439</u>	<u>\$ 1,373,051</u>	<u>\$ 6,921,490</u>
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (217,171)	\$ 868,307	\$ 651,136
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	2,723	-	2,723
(Increase) decrease in accounts receivable	(362,399)	(2,942)	(365,341)
(Increase) decrease in due from other funds	514,176	-	514,176
(Increase) decrease in prepaid items	(58,000)	-	(58,000)
Increase (Decrease) in accounts payables	2,274	(1,614)	660
Increase (Decrease) in accrued insurance claims	(301,907)	200,000	(101,907)
Increase (Decrease) in compensated absences payable	7,827	-	7,827
Increase (Decrease) in OPEB liability	2,384	-	2,384
Increase (Decrease) in due to other funds	164	(512)	(348)
Total adjustments	<u>(192,758)</u>	<u>194,932</u>	<u>2,174</u>
Net cash provided by operating activities	<u>\$ (409,929)</u>	<u>\$ 1,063,239</u>	<u>\$ 653,310</u>

#### Noncash investing, capital and financing activities:

Change in the fair value of investments resulted in an unrealized gain of \$29,010 at year-end 2012 and an unrealized gain of \$17,975 at year-end 2011.

Assets retired cost \$4,594 and had accumulated depreciation of \$4,594.

CAPITAL ASSETS  
USED IN THE OPERATION OF  
GOVERNMENTAL FUNDS



**CITY OF LAKE CHARLES, LOUISIANA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
**September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Governmental funds capital assets		
Land	\$ 16,612,880	\$ 12,793,280
Buildings	48,508,579	46,527,356
Improvements other than buildings	52,779,123	48,736,577
Machinery and Equipment	30,246,498	29,129,441
Infrastructure	260,409,984	251,283,207
Construction in progress	<u>49,870,089</u>	<u>40,401,864</u>
Total general capital assets	<u>\$ 458,427,153</u>	<u>\$ 428,871,725</u>
Property acquired prior to October 1, 1985, excluding infrastructure	\$ 23,729,828	\$ 23,742,289
Property acquired after September 30, 1985 from:		
Federal grants	4,748,834	4,748,834
State grants	370,000	370,000
General fund revenues	114,369,034	107,620,080
Capital projects funds	281,319,416	263,514,414
Donations	<u>33,890,041</u>	<u>28,876,106</u>
Total investments in general capital assets	<u>\$ 458,427,153</u>	<u>\$ 428,871,723</u>

Note: This schedule presents the capital asset balances related to governmental funds. Accordingly, the capital assets valued at \$30,163 at 9/30/2012 and \$34,758 at 9/30/2011 that are reported in the internal service funds are excluded from the above amounts. Generally, capital assets of internal service funds are included as governmental activities in the statement of net assets.

# CITY OF LAKE CHARLES, LOUISIANA

## Schedule of Capital Assets - Governmental Funds

### By Function and Activity

September 30, 2012

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
<b>GENERAL GOVERNMENT</b>							
Legislative	\$ -	\$ -	\$ -	\$ 70.671	\$ -	\$ -	\$ 70.671
Executive	-	-	-	47.712	-	-	47.712
Judicial	-	-	-	40.762	-	2,123.272	2,164.034
Total general government	-	-	-	159.145	-	2,123.272	2,282.417
<b>STAFF AGENCIES</b>							
Finance	-	-	-	19.390	-	-	19.390
Planning and development	-	-	-	66.629	-	-	66.629
Human Resources	-	-	-	23.487	-	-	23.487
Public works	214.700	928.520	39.968	1,280.743	-	-	2,463.931
Information Services	-	-	-	145.073	-	-	145.073
General government buildings	5,892.248	5,856.483	1,371.461	419.782	-	244.027	13,784.001
Total staff agencies	6,106.948	6,785.003	1,411.429	1,955.104	-	244.027	16,502.511
<b>PUBLIC SAFETY</b>							
Police	67.715	850.375	699.766	4,902.483	-	89.712	6,610.051
Fire	126.300	7,731.916	527.693	10,627.731	-	-	19,013.640
Permit Center	-	-	-	196.698	-	-	196.698
Total public safety	194.015	8,582.291	1,227.459	15,726.912	-	89.712	25,820.389
Streets	-	-	-	3,925.080	220,158.286	26,380.938	250,464.304
Recreation	9,308.960	3,804.033	20,820.057	1,482.920	-	-	35,415.970
Community service	5,000	2,549.579	160.129	2,471	-	5,775.076	8,492.255
Sanitation and waste	997.957	26,787.673	29,160.049	6,994.866	40,251.698	15,257.064	119,449.307
	10,311.917	33,141.285	50,140.235	12,405.337	260,409.984	47,413.078	413,821.836
Total capital assets allocated to functions	\$ 16,612.880	\$48,508.579	\$52,779.123	\$30,246.498	\$260,409.984	\$ 49,870.089	\$ 458,427.153

Note: This schedule presents the capital asset balances related to governmental funds. Accordingly, the capital assets valued at \$30,163, 9/30/2012 and \$34,758 at 9/30/2011 that are reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF LAKE CHARLES, LOUISIANA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the Fiscal Year Ended September 30, 2012**

<b>Function and Activity</b>	<b>General Capital Assets 9/30/2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>General Capital Assets 9/30/2012</b>
<b>GENERAL GOVERNMENT</b>				
Legislative	\$ 70,671	\$ -	\$ -	\$ 70,671
Executive	46,964	16,995	(16,247)	47,712
Judicial	315,665	1,856,556	(8,187)	2,164,034
Total general government	<u>433,300</u>	<u>1,873,551</u>	<u>(24,434)</u>	<u>2,282,417</u>
<b>STAFF AGENCIES</b>				
Finance	22,321	-	(2,931)	19,390
Planning and Development	86,537	13,744	(33,652)	66,629
Human Resources	23,487	-	-	23,487
Public Works	2,514,112	39,834	(90,015)	2,463,931
Information Services	146,520	23,123	(24,570)	145,073
General Government	10,233,517	3,592,586	(42,102)	13,784,001
Total staff agencies	<u>13,026,494</u>	<u>3,669,287</u>	<u>(193,270)</u>	<u>16,502,511</u>
<b>PUBLIC SAFETY</b>				
Police	6,153,610	800,138	(343,697)	6,610,051
Fire	17,946,348	2,555,005	(1,487,713)	19,013,640
Permit Center	196,698	-	-	196,698
Total public safety	<u>24,296,656</u>	<u>3,355,143</u>	<u>(1,831,410)</u>	<u>25,820,389</u>
Streets	235,884,678	21,236,904	(6,657,278)	250,464,304
Recreation	30,685,272	4,941,148	(210,450)	35,415,970
Community service	11,210,489	725,186	(3,443,420)	8,492,255
Sanitation and waste	113,334,833	6,809,658	(695,184)	119,449,307
	<u>391,115,272</u>	<u>33,712,896</u>	<u>(11,006,332)</u>	<u>413,821,836</u>
<b>Total capital assets allocated to functions</b>	<u>\$ 428,871,722</u>	<u>\$ 42,610,877</u>	<u>\$ (13,055,446)</u>	<u>\$ 458,427,153</u>

Note: This schedule presents the capital asset balances related to governmental funds. Accordingly, the capital assets valued on 9/30/2012 at \$30,163 and \$34,758 at 9/30/2011 that are reported in the internal service funds are excluded from the above amounts. Generally, capital assets of internal service funds are included as governmental activities in the statement of net assets.

# STATISTICAL SECTION

This part of the City of Lake Charles' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the government's overall financial health.

## **Contents**

### **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess government's more significant local revenue sources.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

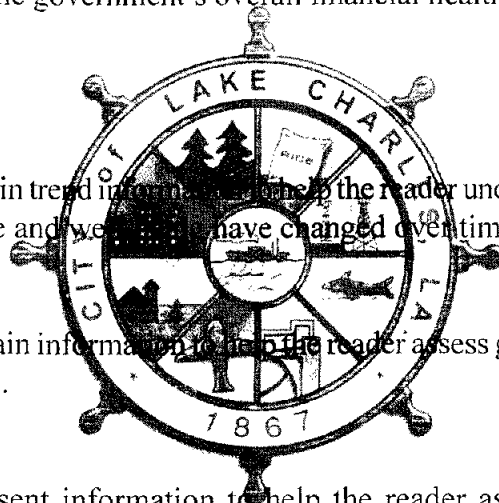
### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Except where noted, the information in these schedules is derived from the City of Lake Charles' comprehensive annual financial reports for the relative year. The City implemented GASB Statement 34 in 2003: schedules presenting government-wide information include information beginning that year.



# CITY OF LAKE CHARLES, LOUISIANA

Net Assets by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 116,656	\$ 152,255	\$ 168,278	\$ 185,082
Restricted	10,613	19,721	12,216	10,597
Unrestricted	71,044	57,247	64,114	60,816
Total governmental activities net assets	<u>\$ 198,313</u>	<u>\$ 229,223</u>	<u>\$ 244,608</u>	<u>\$ 256,495</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 51,769	\$ 51,800	\$ 50,605	\$ 51,436
Unrestricted	5,609	4,661	8,442	14,134
Total governmental activities net assets	<u>\$ 57,378</u>	<u>\$ 56,461</u>	<u>\$ 59,047</u>	<u>\$ 65,570</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 168,425	\$ 204,055	\$ 218,883	\$ 236,518
Restricted	10,613	19,721	12,216	10,597
Unrestricted	76,653	61,908	72,556	74,950
Total governmental activities net assets	<u>\$ 255,691</u>	<u>\$ 285,684</u>	<u>\$ 303,655</u>	<u>\$ 322,065</u>

\* Note GASB 34 adopted in 2003.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 160,853	\$ 200,193	\$ 204,550	\$ 216,618	\$ 223,583	\$ 225,587
48,485	42,220	30,622	60,553	51,978	39,888
64,136	48,188	62,216	31,362	44,864	66,672
<u>\$ 273,474</u>	<u>\$ 290,601</u>	<u>\$ 297,388</u>	<u>\$ 308,533</u>	<u>\$ 320,425</u>	<u>\$ 332,147</u>
\$ 59,165	\$ 66,241	\$ 67,502	\$ 68,319	\$ 66,627	\$ 68,959
5,716	555	2,363	2,851	5,584	7,909
<u>\$ 64,881</u>	<u>\$ 66,796</u>	<u>\$ 69,865</u>	<u>\$ 71,170</u>	<u>\$ 72,211</u>	<u>\$ 76,868</u>
\$ 220,018	\$ 266,434	\$ 272,052	\$ 284,937	\$ 290,210	\$ 294,546
48,485	42,220	30,622	60,553	51,978	39,888
69,852	48,743	64,579	34,213	50,448	74,581
<u>\$ 338,355</u>	<u>\$ 357,397</u>	<u>\$ 367,253</u>	<u>\$ 379,703</u>	<u>\$ 392,636</u>	<u>\$ 409,015</u>

# CITY OF LAKE CHARLES, LOUISIANA

Change in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government	\$ 4,038,040	\$ 4,018,106	\$ 3,812,105	\$ 4,024,194	\$ 4,102,319	\$ 4,158,299	\$ 4,428,106	\$ 4,565,486	\$ 4,585,082	\$ 4,644,212
Public safety	21,844,723	24,747,219	26,919,170	29,515,842	28,708,138	28,400,481	30,691,441	29,211,079	28,681,562	30,667,312
Public works	20,060,175	21,492,315	20,693,262	28,642,450	24,449,739	26,341,091	26,204,810	24,948,706	30,294,422	29,047,659
Planning and development	2,041,589	2,300,829	2,308,019	2,325,223	2,729,542	3,011,317	2,420,483	2,855,462	3,195,533	2,981,902
General services	2,918,382	3,287,536	3,428,701	6,975,121	5,901,532	5,201,297	7,819,930	7,327,977	4,384,287	5,428,845
Community services	4,832,960	4,564,296	4,928,356	10,314,122	5,814,605	5,658,398	6,101,747	5,699,264	6,936,038	6,730,143
Interest in long-term debt	698,206	787,407	1,074,675	1,324,532	1,997,185	2,850,831	2,703,667	3,396,559	3,935,479	4,053,332
Total governmental activities	56,434,075	61,197,708	63,164,288	83,121,484	73,703,060	75,621,714	80,370,184	78,004,533	82,012,403	83,553,405
Business-type activities										
Civic center	2,824,504	2,884,374	2,987,398	2,815,459	3,101,741	3,274,154	3,265,481	3,734,478	3,575,028	3,356,078
Golf course	1,140,382	1,108,015	1,185,076	1,192,880	1,299,432	1,247,986	1,480,511	1,432,343	1,495,425	1,489,217
Transit	1,423,950	1,472,038	1,481,491	1,662,242	1,996,952	2,540,820	2,359,228	2,038,547	2,215,223	2,298,862
Water	6,744,973	6,844,008	7,045,612	7,757,623	8,144,570	8,829,630	9,139,256	8,645,421	8,948,287	8,967,466
Total business-type activities	12,133,809	12,308,435	12,699,577	13,426,204	14,542,695	15,892,590	16,244,476	15,850,789	16,233,963	16,111,623
Total primary government	\$ 68,567,884	\$ 73,506,143	\$ 75,863,865	\$ 96,547,688	\$ 88,245,755	\$ 91,514,304	\$ 96,614,660	\$ 93,855,322	\$ 98,246,366	\$ 99,665,028
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 3,915,263	\$ 4,214,680	\$ 4,188,998	\$ 4,431,182	\$ 4,874,140	\$ 4,855,947	\$ 5,126,923	\$ 5,091,090	\$ 5,432,955	\$ 5,067,281
Public works	4,408,335	4,968,936	5,516,777	5,618,552	5,691,800	8,066,296	8,215,969	9,006,678	10,317,926	11,146,171
Other activities	622,125	642,863	804,172	886,296	1,221,578	1,165,914	911,091	1,030,878	1,123,347	1,106,880
Operating grants and contributions	3,228,119	3,866,738	5,168,349	15,728,027	3,968,837	5,920,889	3,801,382	4,426,140	4,505,960	5,037,836
Capital grants and contributions	3,534,093	655,627	802,681	5,076,055	4,472,089	2,917,678	4,913,193	5,685,329	5,843,875	2,991,355
Total governmental activities	15,707,935	14,348,844	16,480,977	31,740,112	20,228,444	22,926,724	22,968,558	25,240,115	27,224,063	25,349,523
Business-type activities:										
Charges for services:										
Civic center	920,085	911,255	845,555	533,072	932,746	915,970	1,047,163	930,113	968,296	975,050
Golf course	1,069,405	1,010,247	1,038,192	1,009,908	1,046,555	985,883	1,126,764	905,153	928,512	844,392
Transit	75,269	66,577	75,227	62,086	80,615	83,792	62,810	81,418	98,804	115,597
Water	6,320,793	6,691,436	6,898,120	6,379,993	6,286,427	6,936,227	7,586,073	8,925,396	10,333,108	10,644,220
Operating grants and contributions	678,085	764,235	798,193	1,287,219	1,272,010	1,157,412	1,198,730	1,307,484	1,411,923	1,422,853
Capital grants and contributions	303,005	-	-	5,293,304	256,761	1,213,667	1,510,505	1,698,748	736,314	3,184,780
Total business-type program revenues	9,366,642	9,443,750	9,653,287	14,565,582	9,875,114	11,292,951	12,532,045	13,848,312	14,476,957	17,186,892
Total primary government program revenues	\$ 25,074,577	\$ 23,792,594	\$ 26,134,264	\$ 46,305,694	\$ 30,103,558	\$ 34,219,675	\$ 35,500,603	\$ 39,088,427	\$ 41,701,020	\$ 42,536,415

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue										
Governmental activities	\$ (40,726,140)	\$ (46,848,864)	\$ (46,683,311)	\$ (51,381,372)	\$ (53,474,616)	\$ (52,694,990)	\$ (57,401,626)	\$ (52,764,418)	\$ (54,788,340)	\$ (58,203,882)
Business-type activities	(2,767,167)	(2,864,685)	(3,046,290)	1,139,378	(4,667,581)	(4,599,639)	(3,712,431)	(2,002,477)	(1,757,006)	1,075,269
Total primary government net expenses	\$ (43,493,307)	\$ (49,713,549)	\$ (49,729,601)	\$ (50,241,994)	\$ (58,142,197)	\$ (57,294,629)	\$ (61,114,057)	\$ (54,766,895)	\$ (56,545,346)	\$ (57,128,613)
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities</b>										
Taxes										
Property taxes	\$ 5,755,614	\$ 5,888,574	\$ 5,895,575	\$ 5,953,207	\$ 6,536,673	\$ 6,612,603	\$ 7,348,241	\$ 7,489,471	\$ 7,923,348	\$ 7,707,653
Sales taxes	33,219,743	36,119,596	38,271,946	47,667,615	44,710,221	45,584,783	45,149,671	41,685,781	43,127,692	45,659,894
Franchise taxes	4,729,600	4,856,252	5,099,288	6,038,709	5,821,514	6,842,265	5,446,301	5,702,863	5,787,057	4,873,591
Riverboat taxes	6,429,373	6,682,497	7,706,108	3,024,702	6,961,367	8,399,666	9,099,020	8,959,034	9,113,904	9,713,282
Grants and contributions not restricted to specific programs	179,446	187,044	180,156	205,557	284,017	195,018	201,846	198,471	190,806	3,462,831
Interest and investment earnings	1,834,301	1,636,726	1,680,895	3,465,720	5,258,465	4,781,799	2,638,358	1,728,068	1,089,127	575,503
Miscellaneous	1,492,275	1,865,920	8,330,043	2,652,685	2,902,648	3,717,359	859,064	1,206,950	2,194,144	1,479,307
Gain (loss) on sales of capital assets	497,377	85,290	4,700	28,100	102,703	67,296	-	-	-	-
Transfers	(1,489,496)	(1,315,990)	(5,100,256)	(5,767,780)	(2,124,636)	(6,378,347)	(6,554,391)	(3,060,758)	(2,746,015)	(3,545,790)
Total governmental activities	52,648,233	56,005,909	62,068,455	63,268,515	70,452,972	69,822,442	64,188,110	63,909,880	66,680,063	69,926,271
<b>Business-type activities:</b>										
Grants and contributions not restricted to specific programs	200,000	479,765	200,000	190,000	200,000	200,000	200,000	200,000	-	-
Interest and investment earnings	102,706	122,601	147,277	362,990	589,768	181,262	26,597	46,565	52,549	35,095
Miscellaneous	65,200	28,095	184,062	640,010	1,064,948	252,500	-	-	-	-
Gain (loss) on sales of capital assets	(10,573)	1,647	-	(1,577,138)	-	(497,393)	-	-	-	-
Transfers	1,489,496	1,315,990	5,100,256	5,767,780	2,124,636	6,378,347	6,554,391	3,060,758	2,746,015	3,545,790
Total business-type activities	1,846,829	1,948,098	5,631,595	5,383,642	3,979,352	6,514,716	6,780,988	3,307,323	2,798,564	3,581,485
Total primary government	\$ 54,495,062	\$ 57,954,007	\$ 67,700,050	\$ 68,652,157	\$ 74,432,324	\$ 76,337,158	\$ 70,969,098	\$ 67,217,203	\$ 69,478,627	\$ 73,507,756
<b>Change in Net Assets</b>										
Governmental activities	\$ 11,922,093	\$ 9,157,045	\$ 15,385,144	\$ 11,887,143	\$ 16,978,356	\$ 17,127,452	\$ 6,786,484	\$ 11,145,462	\$ 11,891,723	\$ 11,722,389
Business-type activities	(920,338)	(916,587)	2,585,305	6,523,020	(688,229)	1,915,077	3,068,557	1,304,846	1,041,558	4,656,754
Total primary government	\$ 11,001,755	\$ 8,240,458	\$ 17,970,449	\$ 18,410,163	\$ 16,290,127	\$ 19,042,529	\$ 9,855,041	\$ 12,450,308	\$ 12,933,281	\$ 16,379,143

\* Note GASB 34 adopted in 2003.

# CITY OF LAKE CHARLES, LOUISIANA

## Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

(accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>One Percent Sales Tax (1965)</u>	<u>Additional One Percent Sales Tax (1987)</u>	<u>Employee's Pay Quarter cent Sales Tax (1995)</u>
2003	\$ 5,755,614	\$ 14,738,034	\$ 14,738,034	\$ 3,680,714
2004	5,888,574	15,935,923	15,935,923	3,962,435
2005	5,895,575	16,905,803	16,905,803	4,226,453
2006	5,953,207	21,069,476	21,069,476	5,267,376
2007	6,536,673	19,604,922	19,604,747	4,901,540
2008	6,612,603	20,048,716	20,048,779	5,012,194
2009	7,348,241	19,767,418	19,767,417	4,932,015
2010	7,489,471	18,382,454	18,382,454	4,595,619
2011	7,923,348	18,994,509	18,994,509	4,750,340
2012	7,707,653	19,940,426	19,940,425	4,985,113

Notes: L'Auberge du lac Casino opened in May 2005.  
 Harrah's Riverboat closed in September 2005 after sustaining damage from Hurricane Rita.  
 Beginning fiscal year 2007, the City has entered into a Cooperative Endeavor Agreement with  
 the Calcasieu Parish Policy Jury to pool gaming on a parish-wide basis.

A new cable television franchise agreement was entered into at the beginning of fiscal year 2008.

2009 property tax revenues reflect the reassessment of property in 2008.

<u>Riverboat Gaming Tax</u>	<u>Electric Utility Franchise</u>	<u>Gas Utility Franchise</u>	<u>Cable Television Franchise</u>
\$ 6.429.373	\$ 3.689.830	\$ 540.348	\$ 499.422
6.682.497	3.816.930	506.134	533.188
7.706.108	4.037.249	515.915	546.124
3.024.702	4.854.764	659.837	524.107
6.961.367	4.521.714	671.183	628.617
8.399.666	5.215.659	632.849	993.758
9.099.020	3.964.234	588.931	893.136
8.959.034	4.183.356	590.275	929.232
9.113.904	4.346.623	483.307	957.127
9.713.282	3.463.387	405.302	1.004.902

# **CITY OF LAKE CHARLES, LOUISIANA**

## Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 624,873	\$ 267,009	\$ 215,028	\$ 864,493	\$ 1,999,645	\$ 3,289,392	\$ 230,186	\$ 297,834		
Unreserved	24,036,617	25,481,201	27,722,313	26,835,936	29,486,833	28,820,688	28,007,800	25,483,998		
Nonspendable									\$ 486,580	\$ 543,389
Committed									2,895,603	2,567,929
Unassigned									21,932,680	22,245,646
Total General Fund	24,661,490	25,748,210	27,937,341	27,700,429	31,486,478	32,110,080	28,237,986	25,781,832	25,314,863	25,356,964
All other governmental funds										
Reserved	7,485,682	3,876,713	8,525,787	6,437,907	14,060,057	23,285,955	19,013,569	16,022,853		
Unreserved, reported in:										
Special revenue funds	10,661,898	9,327,261	9,699,426	10,774,273	10,620,548	8,778,666	12,922,418	14,598,101		
Capital projects funds	53,762,855	42,344,021	33,283,507	28,477,469	59,084,997	51,085,939	43,174,593	77,320,653		
Nonspendable									27,460	51,623
Restricted									44,338,979	31,731,731
Committed									51,269,454	50,934,223
Assigned									8,388,325	12,033,195
Total all other governmental funds	71,910,435	55,547,995	51,508,720	45,689,649	83,765,602	83,150,560	75,110,580	107,941,607	104,024,218	94,750,772
Total all governmental funds	\$ 96,571,925	\$ 81,296,205	\$ 79,446,061	\$ 73,390,078	\$ 115,252,080	\$ 115,260,640	\$ 103,348,566	\$ 133,723,439	\$ 129,339,081	\$ 120,107,736

\* The increases in fund balance in fiscal years 2003, 2007, and 2010 are due primarily to unspent bond proceeds from issues during the period for capital projects.

\* Note GASB 54 adopted in 2011.

# CITY OF LAKE CHARLES, LOUISIANA

## Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
<b>Revenues:</b>										
Taxes	\$ 47,714,962	\$ 50,815,251	\$ 54,186,267	\$ 58,915,721	\$ 60,340,385	\$ 62,863,828	\$ 63,906,886	\$ 60,681,304	\$ 62,638,371	\$ 65,208,410
Licenses and permits	5,219,813	5,502,441	5,589,731	6,760,340	6,710,807	7,635,503	6,104,766	6,357,695	6,633,096	5,526,807
Intergovernmental	7,648,860	4,978,600	6,774,038	18,151,628	5,636,828	9,417,429	8,851,035	10,830,886	10,759,547	8,264,523
Charges for services	6,031,983	6,695,931	7,425,881	7,497,818	8,334,042	10,232,457	10,440,834	11,300,612	13,134,106	13,680,453
Fines and forfeitures	234,003	253,528	257,762	257,462	276,359	306,694	322,461	338,073	383,267	311,388
Miscellaneous	4,419,902	3,283,237	8,280,461	8,508,921	9,886,132	6,600,618	4,582,043	2,708,846	2,826,993	2,351,245
Total revenues	71,269,523	71,528,988	82,514,140	100,091,890	91,184,353	97,056,529	94,208,025	92,217,416	96,375,380	95,342,826
<b>Expenditures:</b>										
Current operating:										
General government	2,152,558	2,251,811	2,240,148	2,280,837	2,298,225	2,449,791	2,598,746	2,727,390	2,857,662	2,876,353
Finance	1,306,851	1,377,726	1,352,825	1,383,033	1,392,804	1,352,358	1,389,805	1,496,010	1,488,859	1,498,360
Human Resources	274,577	253,787	276,304	308,001	292,767	288,724	317,809	352,726	313,428	312,168
Fire	8,714,335	9,659,312	11,535,201	12,577,995	12,579,653	12,634,153	13,074,636	12,729,943	12,940,071	13,293,542
Police	11,504,525	12,765,994	14,119,891	15,026,989	14,371,715	14,094,524	14,196,539	15,775,008	16,200,141	17,108,345
Public works	14,721,471	15,407,571	15,766,960	23,015,679	18,974,532	20,648,106	20,039,183	20,272,640	20,324,226	21,183,964
Planning and development	2,050,593	2,257,639	2,264,326	2,095,331	2,515,448	2,805,009	2,305,258	2,596,371	3,028,735	2,785,459
Community services	3,756,893	3,731,237	3,851,337	9,707,729	5,046,085	4,662,889	4,545,957	4,780,142	4,721,208	4,913,007
General services	2,630,205	2,698,309	2,880,492	6,254,807	3,901,466	5,554,769	4,254,079	4,096,854	4,168,195	4,127,074
Capital projects	23,028,578	31,754,246	21,505,295	23,238,997	16,341,943	19,136,059	28,093,724	24,458,504	25,022,530	27,249,393
Debt service:										
Principal retirement	945,967	1,910,667	2,038,438	2,266,162	2,250,302	3,637,281	3,991,176	6,427,242	5,449,519	5,836,224
Bond issuance costs	-	-	-	42,978	621,817	-	-	1,414,680	147,128	-
Interest and fiscal charges	698,206	787,407	1,074,675	1,281,554	1,393,744	2,905,960	2,758,796	2,109,632	3,982,945	4,247,926
Total expenditures	71,784,750	84,855,706	78,905,892	99,780,092	82,230,501	90,169,623	97,565,708	99,237,142	100,644,647	105,431,815
Excess (deficiency) of revenues over expenditures	(515,226)	(13,326,718)	3,608,248	311,798	8,954,052	6,886,906	(3,357,683)	(7,019,726)	(4,269,267)	(10,088,989)
<b>Other financing sources (uses):</b>										
Transfers in	10,381,689	13,181,610	11,911,644	12,016,568	15,728,775	17,610,913	17,216,245	14,552,013	15,153,082	19,551,176
Transfers out	(12,737,887)	(15,130,612)	(17,370,037)	(19,084,348)	(18,403,411)	(24,489,260)	(25,770,636)	(18,612,300)	(18,982,135)	(22,915,600)
Issuance of debt	25,000,000	-	-	700,000	34,480,000	-	-	57,015,000	3,713,962	-
Premium on issuance of debt	-	-	-	-	1,102,586	-	-	2,174,886	-	4,222,067
Payment to refund bonds	-	-	-	-	-	-	-	(17,735,000)	-	-
Total other financing sources(uses)	22,643,802	(1,949,002)	(5,458,393)	(6,367,780)	32,907,950	(6,878,347)	(8,554,391)	37,394,599	(115,091)	857,643
Net change in fund balances	\$ 22,128,566	\$ (15,275,720)	\$ (1,850,145)	\$ (6,055,982)	\$ 41,862,002	\$ 8,559	\$ (11,912,074)	\$ 30,374,873	\$ (4,384,358)	\$ (9,231,346)
Debt service as a percentage of noncapital expenditures	3.36%	5.11%	5.57%	5.11%	6.19%	9.59%	9.37%	11.18%	12.29%	13.53%

## Governmental Activities Tax Revenues by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	Property Tax	One Percent Sales Tax (.65)	Additional One Percent Sales Tax (.87)	Employee's Pay Quarter cent Sales Tax (.95)	Riverboat Gaming Tax	Electric Utility Franchise	Gas Utility Franchise	Cable Television Franchise
2003	\$ 5,755,614	\$ 14,738,034	\$ 14,738,034	\$ 3,680,714	\$ 6,429,373	\$ 3,689,830	\$ 540,348	\$ 499,422
2004	5,888,574	15,935,923	15,935,923	3,962,435	6,682,497	3,816,930	506,134	533,188
2005	5,895,575	16,905,803	16,905,803	4,226,453	7,706,108	4,037,249	515,915	546,124
2006	5,953,207	21,069,476	21,069,476	5,267,376	3,024,702	4,854,764	659,837	524,107
2007	6,536,673	19,604,922	19,604,747	4,901,540	6,961,367	4,521,714	671,183	628,617
2008	6,612,603	20,048,779	20,048,779	5,012,194	8,399,666	5,215,659	632,849	993,758
2009	7,348,241	19,767,417	19,767,417	4,932,015	9,099,020	3,964,234	588,931	893,136
2010	7,489,471	18,382,454	18,382,454	4,595,619	8,959,034	4,183,356	590,275	929,232
2011	7,923,348	18,994,509	18,994,509	4,750,340	9,113,904	4,346,623	483,307	957,127
2012	7,707,653	19,940,426	19,940,425	4,985,113	9,713,282	3,463,387	405,302	1,004,902

**CITY OF LAKE CHARLES, LOUISIANA**  
Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year Ended	Tax Year	Real Property and Mobile		Personal, Business Industry	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2003	2002	\$ 243,210,230	\$ 2,432,102,300	\$ 91,843,990	\$ 612,293,267
2004	2003	246,685,030	2,466,850,300	93,673,820	624,492,133
2005	2004	253,965,820	2,539,658,200	96,107,240	640,714,933
2006	2005	261,268,194	2,612,681,940	98,723,970	658,159,800
2007	2006	286,848,080	2,869,480,800	105,860,810	705,738,733
2008	2007	295,823,700	2,958,237,000	114,102,720	760,684,800
2009	2008	352,041,171	3,520,411,710	116,471,700	776,478,000
2010	2009	362,072,150	3,620,721,500	109,775,460	731,836,400
2011	2010	368,075,460	3,680,756,600	113,615,250	757,435,000
2012	2011	371,813,160	3,718,131,600	111,831,890	745,545,933

Note:

- (1) Ratios of assessed valuation to actual value are established by state law. Assessment ratios currently applicable to various classes of property are as follows:
- 10% - Land and residential improvements
  - 15% - Commercial improvements
  - 15% - Personal property
  - 25% - Public Utilities
- (2) All property assessments are made by the Calcasieu Parish Assessor or the Louisiana Tax Commission. Required reassessments of all properties were made in 1996, 2000, 2004 and 2008.

Source: Calcasieu Parish Sheriff & Tax Collector

Public Utilities		Total all Property		Total	Assessed
Assessed	Estimated	Assessed	Estimated	Direct	Value as a
Value	Actual	Value	Actual	Tax	Percentage of
	Value		Value	Rate	Actual Value
\$ 18,862,920	\$ 75,451,680	\$ 353,917,140	\$ 3,119,847,247	16.43	11.34%
17,451,120	69,804,480	357,809,970	3,161,146,913	16.43	11.32%
17,604,920	70,419,680	367,677,980	3,250,792,813	16.09	11.31%
17,693,580	70,774,320	377,685,744	3,341,616,060	16.09	11.30%
18,358,980	73,435,920	411,067,870	3,648,622,453	16.09	11.27%
18,450,920	73,803,680	428,377,340	3,792,725,480	16.09	11.29%
18,738,980	74,955,920	487,251,851	4,371,845,630	15.35	11.00%
18,833,580	75,334,320	490,681,190	4,427,892,220	15.35	11.08%
19,094,820	76,379,280	500,785,530	4,514,570,880	15.35	11.09%
16,539,480	66,157,920	500,184,530	4,529,835,453	15.35	11.04%

# CITY OF LAKE CHARLES, LOUISIANA

Property Tax Millage Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Calendar Year	Fiscal Year	City of Lake Charles				Calcasieu Parish School Board					Calcasieu Parish							
		General and Special Revenue		Debt Service		Total	General Fund	Debt Service Funds	Total	Parish Police Jury		Road Districts	Gravity Drainage	Recreation and Com Centers	Fire Protection	Airport Harbor & Terminal	Parish Water & Sewer	Parish Total
		Funds		Funds						Police	Jury							
2002	2003	16.43		0.00		16.43	19.56	39.50	59.06	45.40	4.06	5.92	0.00	12.77	9.20	15.74	93.09	
2003	2004	16.43		0.00		16.43	19.56	35.00	54.56	52.84	4.06	5.92	0.00	12.77	9.20	15.14	99.93	
2004	2005	16.09		0.00		16.09	18.72	36.50	55.22	44.19	3.88	5.77	0.00	12.60	8.80	16.25	91.49	
2005	2006	16.09		0.00		16.09	18.72	25.00	43.72	44.99	3.88	5.77	7.85	12.60	8.80	18.39	102.28	
2006	2007	16.09		0.00		16.09	18.72	25.50	44.22	47.21	3.88	5.79	7.40	11.54	8.80	20.39	105.01	
2007	2008	16.09		0.00		16.09	18.72	27.50	46.22	41.5	3.88	5.79	7.00	11.54	8.80	18.14	96.95	
2008	2009	15.35		0.00		15.35	18.72	24.00	42.72	39.28	3.67	5.29	7.00	11.08	8.34	18.46	93.12	
2009	2010	15.35		0.00		15.35	18.72	24.00	42.72	33.02	3.67	5.79	5.65	11.08	8.34	15.59	83.14	
2010	2011	15.35		0.00		15.35	18.72	24.00	42.72	33.02	3.67	5.79	4.79	11.08	8.34	15.59	82.28	
2011	2012	15.35		0.00		15.35	18.72	24.00	42.04	33.82	3.53	5.57	5.77	10.85	8.14	15.37	83.05	

Source: Information obtained from Calcasieu Parish Tax Assessor

Note: Overlapping rates are those of local governmental entities that apply to property owners within the City of Lake Charles. Not all overlapping rates apply to all property owners.

# CITY OF LAKE CHARLES, LOUISIANA

## Principal Property Taxpayers

Tax Year December 31, 2011 and December 31, 2001

for Fiscal Year Ended September 30, 2012 and September 30, 2002

Taxpayer	Type of Business	2012		Percentage of Total Valuation	2002		Percentage of Total Valuation
		Assessed Valuation 2011	Rank		Assessed Valuation 2001	Rank	
PNK (Lake Charles) LLC	Hotel and Casino	\$41,295,060	1	8.26 %	-	-	%
Wal-Mart Stores	Retail	10,238,300	2	2.05	5,487,815	4	1.65
Entergy Gulf States Inc.	Electric utility	8,613,140	3	1.72	4,232,530	5	1.28
Capital One NA * Hibernia in 2002	Bank	5,393,070	4	1.08	7,180,850	3	2.17
Bell South Telecommunications	Telephone	4,850,450	5	0.97	9,797,110	2	2.95
Women's & Children's Hospital	Hospital	4,847,130	6	0.97	-	-	-
Carboline Company	Wholesale	3,999,900	7	0.80	-	-	-
JP Morgan Chase Bank NA * Bank One in 2001	Bank	3,198,720	8	0.64	3,187,090	7	0.96
Iberia Bank	Bank	2,354,590	9	0.47	-	-	-
Simon Debartolo Group *Simon, Melvin & Associates in 2001	Real Estate Agent	2,657,940	10	-	2,448,520	9	0.74
Harrah's Entertainment Inc * Players in 1998	Riverboat Casino	-	-	-	12,591,830	1	3.80
Xsepius	Telecommunications	-	-	-	3,704,730	6	1.12
US Unwired	Telecommunications	-	-	-	2,599,010	8	0.78
Lowe's	Retail	-	-	-	2,244,690	10	0.68
		<u>\$87,448,300</u>		<u>17.48%</u>	<u>\$53,474,175</u>		<u>16.12%</u>

2011 Total city valuation: \$ 500,184,530

2001 Total city valuation: \$ 331,645,780

Source: Calcasieu Parish Tax Collector

# CITY OF LAKE CHARLES, LOUISIANA

## Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Less: Cancellations and Reductions</u>	<u>Net Tax Levy</u>
2003	2002	\$ 5,814,877	\$ 36,921	\$ 5,777,956
2004	2003	5,878,836	7,942	5,870,894
2005	2004	5,932,879	36,144	5,896,735
2006	2005	6,081,102	200,513	5,880,589
2007	2006	6,617,407	47,920	6,569,487
2008	2007	6,896,377	83,620	6,812,757
2009	2008	7,483,466	144,030	7,339,436
2010	2009	7,534,395	46,098	7,488,297
2011	2010	7,692,549	60,903	7,631,646
2012	2011	7,648,874	44,979	7,603,895

Source: Calcasieu Parish Sheriff & Tax Collector

Note: Property damage reductions in 2006 related to Hurricane Rita.

Less: Outstanding Delinquent Taxes		Net Total Taxes Collected	Percent of Net Taxes Collected	Percent of Delinquent Taxes to Net Levy
\$	83,970	\$ 5,693,986	98.55 %	1.45 %
	67,052	5,803,842	98.86	1.14
	61,889	5,834,846	98.95	1.05
	57,162	5,823,427	99.03	0.97
	89,299	6,480,188	98.64	1.36
	79,015	6,733,742	98.84	1.16
	58,377	7,281,059	99.20	0.80
	48,697	7,439,600	99.35	0.65
	35,458	7,596,188	99.54	0.46
	18,208	7,585,687	99.76	0.24

# CITY OF LAKE CHARLES, LOUISIANA

Sales Tax Rates  
Direct and Overlapping Governments  
Last Ten Fiscal Years

Calendar Year		City of Lake Charles										Calcasieu Parish				State of Louisiana	
		Dedicated 1%						Employee's				Law		Tourism			
		General Fund		Waste		Capital Project										School Board	
Year	Fiscal Year	Public Safety	Public Works	Water	Waste	Recreation	Project	Pay	General	Salaries	Enforcement	General	Promotion	Total			
2002	2003		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.50%	3.97%	0.03%	8.75%			
2003	2004		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.50%	3.97%	0.03%	8.75%			
2004	2005		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.50%	3.97%	0.03%	8.75%			
2005	2006		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.50%	3.97%	0.03%	8.75%			
2006	2007		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.50%	3.97%	0.03%	8.75%			
2007	2008		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%			
2008	2009		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%			
2009	2010		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%			
2010	2011		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%			
2011	2012		0.20%	0.28%	0.16%	0.08%	0.28%	0.25%	1.50%	0.50%	0.75%	3.97%	0.03%	9.00%			

Source: Information obtained from Calcasieu Parish Sales and Use Tax office.

# CITY OF LAKE CHARLES, LOUISIANA

## Principal Sales Taxpayers

Tax Year June 30, 2012 and June 30, 2005

for Fiscal Year Ended September 30, 2012 and September 30, 2005

Type of Business	2012			2005		
	Tax Paid	Rank	Percentage of Total Valuation	Tax Paid	Rank	Percentage of Total Valuation
Retail	\$5,615,224	1	14.02%	\$5,287,093	1	13.77%
Government	2,215,575	2	5.53%	2,541,536	2	6.62%
Hotel and Casino	1,248,972	3	3.12%	-	-	-
Grocery	745,560	4	1.86%	719,611	4	1.87%
Building supply	719,414	5	1.80%	744,603	3	1.94%
Retail	674,190	6	1.68%	412,551	9	1.07%
Health Care	618,322	7	1.54%	497,147	8	1.29%
Retail	573,680	8	1.43%	588,432	5	1.53%
Grocery	556,884	9	1.39%	396,821	10	1.03%
Retail	447,345	10	1.12%	498,779	7	1.30%
Health Care	-		-	513,543	6	1.34%
	<u>\$13,415,166</u>		<u>33.49%</u>	<u>\$12,200,116</u>		<u>31.77%</u>

2012 Total sales tax: \$ 40,060.054

2005 Total sales tax: \$ 38,397.154

Source: Calcasieu Parish Sales and Use Tax Depar  
Historical data prior to 2005 unavailable.

# CITY OF LAKE CHARLES, LOUISIANA

Ratios of Outstanding Debt  
Last Ten Fiscal Years

Fiscal Year	Bonded Debt										Loans				Per Capita	
	Pension Refunding Bonds	LCDA Sewer Bonds	LCDA Sewer Refunding Bonds	Deferred Amount LCDA Sewer Refunding Bonds	2007		2010		Deferred Amount		Total Bonds Debt	DEQ Loan	Lake Charles City Court Building	Total Loans Debt		Percentage of Personal Income
					LCDA Public Improvement Bonds	LCDA Public Improvement Bonds	LCDA Public Improvement Bonds	LCDA Public Improvement Bonds	LCDA Public Improvement 2010 Bonds	LCDA Public Improvement 2010 Bonds						
2003	\$ 9,735,000	\$ 25,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,735,000	\$ -	\$ -	-	1.57%	\$ 484
2004	9,060,000	24,285,000	-	-	-	-	-	-	-	-	33,345,000	-	-	-	1.51%	465
2005	8,345,000	23,515,000	-	-	-	-	-	-	-	-	31,860,000	-	-	-	1.44%	444
2006	7,585,000	22,715,000	-	-	-	-	-	-	-	-	30,300,000	-	-	-	1.37%	422
2007	6,775,000	21,880,000	-	-	34,480,000	1,084,210	-	-	1,084,210	-	65,303,420	-	-	-	2.75%	910
2008	5,915,000	21,010,000	-	-	33,370,000	1,029,081	-	-	1,029,081	-	62,353,162	-	-	-	2.63%	869
2009	5,005,000	20,100,000	-	-	32,195,000	973,952	-	-	973,952	-	59,247,904	-	-	-	2.50%	826
2010	4,035,000	-	16,175,000	431,234	30,970,000	918,823	39,280,000	1,671,027	1,671,027	-	93,481,084	-	-	-	3.65%	1,298
2011	3,005,000	-	14,905,000	392,031	29,695,000	863,694	37,705,000	1,570,765	1,570,765	-	88,136,490	918,201	3,000,000	3,918,201	3.60%	1,279
2012	1,930,000	-	13,610,000	352,828	28,370,000	808,565	35,960,000	1,470,503	1,470,503	-	82,501,896	5,140,268	2,905,000	8,045,268	3.45%	1,255

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

None of this debt is General Obligation Debt.

See the Schedule of Demographics and Economic Statistics on page 117 for personal income and population data.

**CITY OF LAKE CHARLES, LOUISIANA**

## Direct and Overlapping Governmental Activities Debt

As of September 30, 2012

<u>Jurisdiction</u>	<u>Direct Debt</u>	<u>Percentage Applicable to City of Lake Charles</u>	<u>Amount Applicable to Lake Charles</u>
Direct:			
City of Lake Charles	\$ 90,547,164	100 %	\$ 90,547,164
Total direct debt	90,547,164		90,547,164
Overlapping:			
Calcasieu Parish School Board	207,105,000	28%	58,186,648
Calcasieu Parish Police Jury	3,194,337	70%	2,232,706
Total overlapping debt	210,299,337		60,419,354
Total Direct and Overlapping Debt	<u>\$ 300,846,501</u>		<u>\$ 150,966,518</u>

Sources: Assessed value data used to estimate applicable percentages provided by Calcasieu Parish Tax Collector.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city.

This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lake Charles. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden is borne by the residents, and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of the parish's taxable assessed value that is within the government's boundaries and dividing it by the parish's total taxable assessed value.

# CITY OF LAKE CHARLES, LOUISIANA

## Computation of Legal Debt Margin

Last Ten Fiscal Years

(amounts expressed in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 43.744	\$ 44.362	\$ 46.601	\$ 47.601	\$ 44.185	\$ 51.710	\$ 50.258	\$ 49.305	\$ 50.314	\$ 50.258
Total net debt applicable to limit	0	0	0	0	0	0	0	0	0	0
Legal debt margin	<u>\$ 43.744</u>	<u>\$ 44.362</u>	<u>\$ 46.601</u>	<u>\$ 47.601</u>	<u>\$ 44.185</u>	<u>\$ 51.710</u>	<u>\$ 50.258</u>	<u>\$ 49.305</u>	<u>\$ 50.314</u>	<u>\$ 50.258</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

### Legal Debt Margin Calculation for Fiscal Year 2012

(amounts expressed in thousands)

Assessed value	\$ 500.185
Add back: exempt real property	2,401
Total assessed value	<u>\$ 502.586</u>
Debt limit (10% of total assessed value)	\$ 50.258
Total outstanding General Obligation Bonds of City of Lake Charles	<u>-</u>
Legal capacity of City of Lake Charles for General Obligation Bonds	<u>\$ 50.258</u>

#### Note:

Under state finance law, the City of Lake Charles' outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. The City of Lake Charles had \$82,501,896 outstanding bonded debt at September 30, 2012. None of this debt is General Obligation Debt secured by ad valorem taxes, and the amount applicable to the legal debt limitation is therefore zero. All City of Lake Charles general obligation debt was paid in fiscal year 1997.

# CITY OF LAKE CHARLES, LOUISIANA

## Demographic and Economic Statistics

Last Ten Calendar Years

Calendar		Personal	Per		Public	Private	Total	
Year	Population	Income (amts in thousands)	Capita Personal Income (1)	Median Age	City School Enrollment (K-12 Grades)	City School Enrollment (K-12 Grades)	City School Enrollment (K-12 Grades)	Unemployment Percentage Rate
2002	71,757	\$ 2,208,250	\$ 30,774	35.3	14,281	2,907	17,188	5.1 %
2003	71,757	2,208,250	30,774	35.3	13,668	2,907	16,575	4.7
2004	71,757	2,208,250	30,774	35.3	12,218	2,761	14,979	7.6
2005	71,757	2,208,250	30,774	35.3	13,054	2,541	15,595	3.3
2006	71,757	2,371,425	33,048	36.4	12,952	2,556	15,508	3.0
2007	71,757	2,371,425	33,048	35.3	12,735	2,407	15,142	3.4
2008	71,757	2,371,425	33,048	34.5	12,783	2,741	15,524	5.9
2009	71,757	2,371,425	33,048	35.3	12,566	2,575	15,141	7.3
2010	71,993	2,558,631	35,540	35.3	12,034	2,465	14,499	6.3
2011	72,177	2,621,757	36,324	35.9	12,399	3,482	15,881	6.8

Notes:

- (1) Estimates for population, income age and unemployment provided by Imperial Calcasieu Regional Planning and Development.
- (2) School enrollment includes public and state approved private schools only as provided by the Calcasieu Parish School Board.

# CITY OF LAKE CHARLES, LOUISIANA

Principal Employers in the MSA  
Calendar Year 2012 and 2002

Employer	2012				2002		
	Type of Business	Number of Employees	Rank	Percentage of Total MSA	Number of Employees	Rank	Percentage of Total MSA
Calcasieu Parish School Board	Education	5,000	1	5.9%	4,000	1	4.6%
L'Auberge Du Lac	Gaming	2,400	2	2.9%	-	-	-
Turner Industries	Fabrication	1,500	3	1.8%	2,000	3	2.3%
PPG Industries	Basic Chemical	1,250	4	1.5%	1,625	8	1.9%
Lake Charles Memorial Hospital	Health Care	1,194	5	1.4%	1,700	7	2.0%
Citgo Petroleum	Oil Products	1,160	6	1.4%	1,865	6	2.2%
Isle of Capri Casino	Gaming	1,155	7	1.4%	2,000	4	2.3%
City of Lake Charles	Government	1,032	8	1.2%	-	-	-
Calcasieu Parish Sheriff's Office	Police Protection	972	9	1.2%	-	-	-
Christus St. Patrick's Hospital	Health Care	871	10	1.0%	2,782	2	3.2%
Player's Casino (closed 2005)	Gaming	-	-	-	2,000	5	2.3%
Northrop Grumman	Aerospace	-	-	-	1,312	9	1.5%
Conoco	Oil Products	-	-	-	1,200	10	1.4%
		16,534		19.7%	20,484		23.7%

Source: Imperial Calcasieu Regional Planning and Development

MSA: Metropolitan Statistical Area includes all of Calcasieu and Cameron Parish. All top ten employers are in Calcasieu Parish

	2012	2002
Total employment: Calcasieu Parish	84,109	86,478

# CITY OF LAKE CHARLES, LOUISIANA

Full-time Equivalent City Employees by Function  
Last Ten Fiscal Years

<u>Functions/Programs</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government	44	45	45	46	46	46	47	48.5	46.5	46.5
Finance (includes Water business office)	30	30	30	30	30	30	30	30	30	30
Human Resources	5	5	5	5	5	5	5	5	4	4
Public safety										
Fire	147	176	190	190	190	190	190	190	182	182
Police	182	192	194	194	194	194	192	192	189	189
Public works	166	166	166	167	166	166	166	167	157	157
Waste water	61	60	61	64	64	64	64	65	65	65
Transit	19	19	19	19	19	19	19	19	19	19
Water utility	56	57	57	57	57	57	57	56	56	56
Planning and development	24	24	24	25	27	24	24	25	24	24
General services	32	31	30	29	30	33	33	30.5	27.5	27.5
Community Services	77	76	76	78	78	78	77	77	71	71
<b>Total</b>	<b>843</b>	<b>881</b>	<b>897</b>	<b>904</b>	<b>906</b>	<b>906</b>	<b>904</b>	<b>905</b>	<b>871</b>	<b>871</b>

Source: City budget reports

Note: Personnel count includes full time and regular part-time positions. Temporary and seasonal employees are not included.

# CITY OF LAKE CHARLES, LOUISIANA

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
* Legal: request for legal action							239	199	90	51
Printing/communication										
* Number of mail pieces metered							67,550	72,701	130,336	175,019
Risk Management										
* Accident reports/investigations	622	523	452	607	595	626	544	632	443	377
* Claims	501	414	320	307	302	277	178	289	208	186
Finance/includes Water Business										
Checks issued	15,126	12,566	14,641	15,235	15,553	15,356	15,543	14,760	14,927	23,699
* Occupational licenses processed	4,446	4,473	4,415	4,391	4,177	4,048	4,169	4,268	4,300	3,341
Purchase orders processed	4,357	3,943	3,990	3,589	4,064	3,738	3,290	2,881	2,785	2,800
Water: number of customers	27,760	28,611	27,605	26,889	28,422	28,147	28,124	28,886	28,775	28,926
Water: Average daily consumption (millions of gallons per day)	9.62	11.04	12.87	11.35	9.53	10.79	9.33	8.87	9.05	9.03
Human Resources										
* Applications received	1,103	1,189	1,108	926	725	711	961	1,000	1,327	1,250
* New hires	284	328	368	374	436	483	462	425	432	364
* Employee Health Fair Participation	50	NA	295	250	238	268	285	300	320	325
Public safety										
* Fire: Calls for service	1,999	2,107	2,826	2,755	2,503	2,571	2,588	2,790	2,863	2,768
* Fire: Code inspections				4,671	3,194	2,775	3,594	4,465	7,305	4,000
Police: Calls for service	126,670	105,858	111,788	108,232	96,659	93,886	90,995	96,732	107,100	108,064
Public works										
Solid Waste										
* Tons garbage collected					29,320	26,324	26,320	25,814	24,515	23,951
* Tons incinerated					2,146	3,338	2,322	2,905	4,857	4,163
* Tons trash collected					18,869	10,682	9,583	7,930	5,957	6,208
* Streets: Work orders					960	647	1,289	1,863	2,708	1,234
* Transit: Bus riders					188,175	178,889	175,875	190,834	219,802	223,407
* Vehicle Maintenance: Work orders					5,815	3,530	4,291	5,867	5,689	5,841
* Waste water: Work orders					4,584	3,337	9,508	11,100	5,490	6,000
Planning and development										
Building permits issued	5,075	5,229	5,152	6,384	9,438	6,287	4,162	6,395	6,073	4,356
Community Development										
* Down Payment Assistance				9	21	22	17	22	15	24
* Rehab/Reconstruction				7	15	8	8	9	12	13
* Street Projects				2	6	6	3	0	1	2
Community Services										
Recreation and parks										
* Athletic teams							279	292	311	313
* Summer camp attendance					460	470	219	480	472	447
* Civic Center: Events					309	356	377	358	368	353
* Golf Course: Rounds of golf			40,019	39,498	34,221	32,969	36,464	23,852	31,900	30,318
Art Center/museum										
* Art exhibits						13	9	11	16	16
* Concerts/Events						43	35	100	119	25

Source: Various city departments

\* Prior year statistics not available.

# CITY OF LAKE CHARLES, LOUISIANA

## Capital Asset Statistics by Function Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Fire Stations in City limits	7	8	8	8	8	8	8	8	8	8
Fire Stations outside City limits								2	2	2
Police:										
Stations	4	4	4	4	4	4	4	4	4	4
Patrol Units	85	90	90	90	90	92	92	92	92	98
Public works										
Solid Waste/Recycling										
Collection trucks	16	24	24	22	33	32	30	34	32	23
Streets										
Streets (miles)	483	483	483	483	460	460	460	460	460	503
* Streetlights				9,229	9,285	9,285	9,285	9,285	9,285	14,000
* Traffic Signals				64	64	66	66	66	66	68
Transit										
* Public Buses	8	8	8	8	7	7	7	7	7	4
* Para-transit buses	2	2	2	2	2	2	4	4	4	2
Trolley	0	0	0	0	0	0	0	1	1	1
Waste water										
Sanitary sewers (miles)	600	600	600	600	600	600	600	600	600	600
Storm sewers (miles)	425	425	425	425	425	425	425	425	425	425
* Maximum daily treatment capacity (millions of gallons per day)						13.1	13.1	18	18	18
Water utility										
* Water mains (miles)				410	450	455	458	458	460	465
* Fire hydrants				2500	2800	2820	2850	2850	2900	2954
* Maximum daily capacity (millions of gallons per day)				23	22	22	22	22	22	22
Community Services										
Recreation and parks										
Park acreage	453	453	256	256	256	256	466	466	466	465
Parks	34	34	34	34	34	34	34	34	34	33
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Spray parks	1	1	1	1	1	1	3	2	2	2
Tennis courts	6	6	6	6	6	17	17	17	17	15
Community Centers	13	13	12	12	12	12	12	12	12	12
Civic Center	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1
Art Center/museum	1	1	2	2	2	2	2	2	2	2

Source: Various city departments

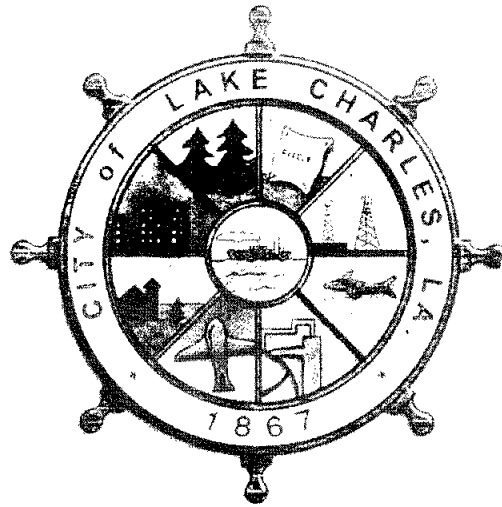
\* Prior year statistics not available.

\*\*Total acreage changed from 456 to 256 in 2005 when the City gave the Multisports complex to Ward 3 Recreation district.

In 2009 the addition of Riverside Park increased total acreage to 466.

\*\*\*One spray park donated to Ward 3 Recreation District.

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**CITY OF LAKE CHARLES, LOUISIANA**

**OMB CIRCULAR A-133  
SUPPLEMENTARY REPORTS**

**YEAR ENDED SEPTEMBER 30, 2012**

CITY OF LAKE CHARLES  
LAKE CHARLES, LOUISIANA

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CFP - Certified Financial Forensics  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor Randy Roach  
and City Council  
City of Lake Charles  
Lake Charles, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of and for the year ended September 30, 2012, which collectively comprise the City of Lake Charles, Louisiana's basic financial statements and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the City of Lake Charles, Louisiana is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Lake Charles, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Charles, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Charles, Louisiana's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Charles, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, and other state and federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
March 28, 2013

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## REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor Randy Roach  
and City Council  
City of Lake Charles  
Lake Charles, Louisiana

### Compliance

We have audited the City of Lake Charles, Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The City of Lake Charles' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Lake Charles' management. Our responsibility is to express an opinion on the City of Lake Charles' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the City of Lake Charles' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lake Charles' compliance with those requirements.

In our opinion, the City of Lake Charles, Louisiana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

#### Internal Control Over Compliance

Management of the City of Lake Charles, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lake Charles, Louisiana's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Lake Charles, Louisiana's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of and for the year ended September 30, 2012, and have issued our report thereon dated March 28, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the City Council, management, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
March 28, 2013

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Period Ending September 30, 2012

<u>Grant Type</u>	<u>Federal CFDA Number</u>
<b>Department of Housing &amp; Urban Development:</b>	
Community Development Block Grant	14.218
Community Development Block Grant	14.228
<b>Louisiana Department of Administration (pass thru agency):</b>	
HUD/Emergency Shelter Grant	14.231
HUD/HOME Grant	14.239
HUD/CHDOS	14.239
<b>Federal Emergency Management Agency:</b>	
Louisiana Department of Military Affairs (pass thru agency)	
Public Assistance Grant	97.036
Port Security Grant	97.056
Immigration and Customs Enforcement	97.000
<b>Department of Transportation:</b>	
Federal Transit Administration	20.507
Highway Planning & Construction ARRA	20.205
Federal Highway Administration	20.000
<b>Department of Energy:</b>	
Energy Management Grant	81.128
<b>Department of Environmental Quality:</b>	
Brownfields Revolving Loan Fund	66.818
Clean Water State Revolving Loan Fund	66.458
<b>Environmental Protection Agency:</b>	
Brownfields Petroleum Assessment	66.818
<b>Department of Agriculture:</b>	
Louisiana Department of Education (pass thru agency):	
Child Nutrition Summer Food Program	10.559
<b>Department of Justice:</b>	
Justice Assistance Grant (Sheriff's Office)	16.738
Justice Assistance Grant	16.607
COPS	16.710
HIDTA	16.000
FBI Safe Streets Task Force	16.000
Fugitive Apprehension Task Force	16.000
Federal Financial Crimes Task Force	16.000

<u>Grant Period</u>		<u>Grant</u>	<u>Current</u>
<u>From</u>	<u>To</u>	<u>Receipts</u>	<u>Expenditures</u>
10/1/11	9/30/12	\$ 678,965	\$ 639,634
10/1/11	9/30/12	858,760	836,257
10/1/11	9/30/12	34,181	34,181
10/1/11	9/30/12	361,598	361,598
10/1/11	9/30/12	61,416	61,416
10/1/11	9/30/12	63,408	10,085
10/1/11	9/30/12	44,473	44,473
10/1/11	9/30/12	1,073	1,073
10/1/11	9/30/12	4,267,647	3,505,615
10/1/11	9/30/12	12,772	9,368
10/1/11	9/30/12	39,454	39,454
10/1/11	9/30/12	603,717	61,580
10/1/11	9/30/12	98,192	98,192
10/1/11	9/30/12	4,222,067	4,222,067
10/1/11	9/30/12	37,073	37,073
10/1/11	9/30/12	518,580	469,120
10/1/11	9/30/12	40,689	40,689
10/1/11	9/30/12	16,000	16,000
10/1/11	9/30/12	85,391	85,391
10/1/11	9/30/12	43,379	43,379
10/1/11	9/30/12	1,348	1,348
10/1/11	9/30/12	16,572	16,572
10/1/11	9/30/12	1,562	1,562

CITY OF LAKE CHARLES, LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For Period Ending September 30, 2012  
(Continued)

<u>Grant Type</u> <u>Number</u>	Federal CFDA
Louisiana Commission on Law Enforcement (pass-thru agency):	
Crime Activity Patrol	16.738
Anti-Gang Initiative	16.609
Louisiana Highway Safety Commission (pass thru agency):	
Highway Safety	20.607
Louisiana Serve Commission/Dept of Treasury:	
Americorps 2011-2012 Grant	94.006
Americorps 2012-2013 Grant	94.006
 Total Federal Assistance	

<u>Grant Period</u>		<u>Grant</u>	<u>Current</u>
<u>From</u>	<u>To</u>	<u>Receipts</u>	<u>Expenditures</u>
10/1/11	9/30/12	4,517	4,517
10/1/11	9/30/12	11,634	11,634
10/1/11	9/30/12	68,098	68,098
10/1/11	9/30/12	97,089	97,089
10/1/11	9/30/12	<u>5,802</u>	<u>5,802</u>
		<u>\$ 12,295,457</u>	<u>\$ 10,823,267</u>

CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2012

Note A. Scope of Audit

The audit was performed pursuant to the *Single Audit Act of 1996* and *OMB Circular A-133*.

Summary of significant accounting policies:

The above Schedule of Expenditures of Federal Awards has been prepared on the full accrual basis of accounting used by the City in preparation of the government wide financial statements that report these awards. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The preparation of the Schedule of Expenditures of Federal Awards in conformity with accounting principles generally accepted in the United States of America requires management to make certain assumptions that affect the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

Note B. Disbursements

Disbursements reported in the Schedule of Expenditures of Federal Awards cannot be traced, in every case, directly to the disbursements reported in the City's Comprehensive Annual Financial Report (CAFR). However, the detailed information regarding the disbursements reflected in both issued reports can be traced to the City's detailed general ledger with adjustments for any year-end financial statement accruals and reversals.

Note C. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City that were received directly from federal agencies or passed through other entities and governmental agencies.

The City has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. OMB Circular A-133 stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures of

each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and for other federal financial awards that have not been assigned a catalog number.

Note D. Major Federal Awards Program

The City's major federal awards programs for the year ended September 30, 2012 were determined based on program activity. The City's major programs for the year ended September 30, 2012 were all federally assisted high risk "Type A" programs for which activity was greater than or equal to \$300,000 during the year ended September 30, 2012. Additionally, one "Type B" high risk program with activity less than \$300,000 was audited as a major federal award program.

Note E. Department of Environmental Quality Loan

The Department of Environmental Quality (DEQ) Loan is a loan program through which the State of Louisiana receives federal money to then loan to municipalities to improve water treatment. The City of Lake Charles is receiving money from the State under the loan program. The City of Lake Charles entered into the loan agreement on June 23, 2011 for an amount not to exceed \$21,000,000. The DEQ loan disburses funds to the City of Lake Charles after the expenditure is made. Interest of .95% per annum on the outstanding balance is paid semi-annually. At September 30, 2012, the principal balance is \$5,140,268.

Note F. Subsequent Events

The City is required to evaluate events or transactions that may occur after the schedule of expenditures of federal awards date for potential recognition or disclosure in the notes to the schedule of expenditures of federal awards. The City performed such an evaluation through March 28, 2013, the date which the schedule of expenditures of federal awards was available to be issued, and noted no events or transactions that occurred after the schedule of expenditures of federal awards date requiring recognition or disclosure.

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified  
Internal control over financial reporting:  
Material weakness identified?        Yes   X   No  
Significant deficiency identified not  
Considered to be material weakness?        Yes   X   None reported  
Noncompliance material to financial statements  
noted        Yes   X   No

Federal Awards

Internal control over major programs:  
Material weakness identified?        Yes   X   No  
Significant deficiency identified not  
Considered to be material weakness?        Yes   X   None reported  
Type of auditor's report issued on compliance  
for major programs: Unqualified  
Any audit findings disclosed that are required  
to be reported in accordance with Circular  
A-133, Section .510(a)?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
20.507	Federal Transit Administration
66.458	Clean Water State Revolving Loan Fund
94.006	Americorps

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?   X   Yes        No

(continued on next page)

CITY OF LAKE CHARLES, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2012  
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings to report.

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2012

(Continued)

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings to report.

CITY OF LAKE CHARLES, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS  
Year Ended September 30, 2012

11-01 Safeguarding of Inventory

Finding: It was determined that \$1,476 of scrap metal was misappropriated from the City's Water Division by a city employee. The employee sold the items to a scrap yard who notified the City of the transaction. The items sold were returned and the employee made restitution. The case was investigated by the Lake Charles Police Department and the full results of their investigation were given to the Calcasieu Parish District Attorney's office.

Recommendation: Inventory controls should be improved to guard against future misappropriations.

Current Status: The Water Division implemented proper controls involving the safeguarding of inventory. A video surveillance system was installed. New door locks were installed and supervisor authorization is required for disbursements of keys. No instance of misappropriation was noted during the current fiscal year.